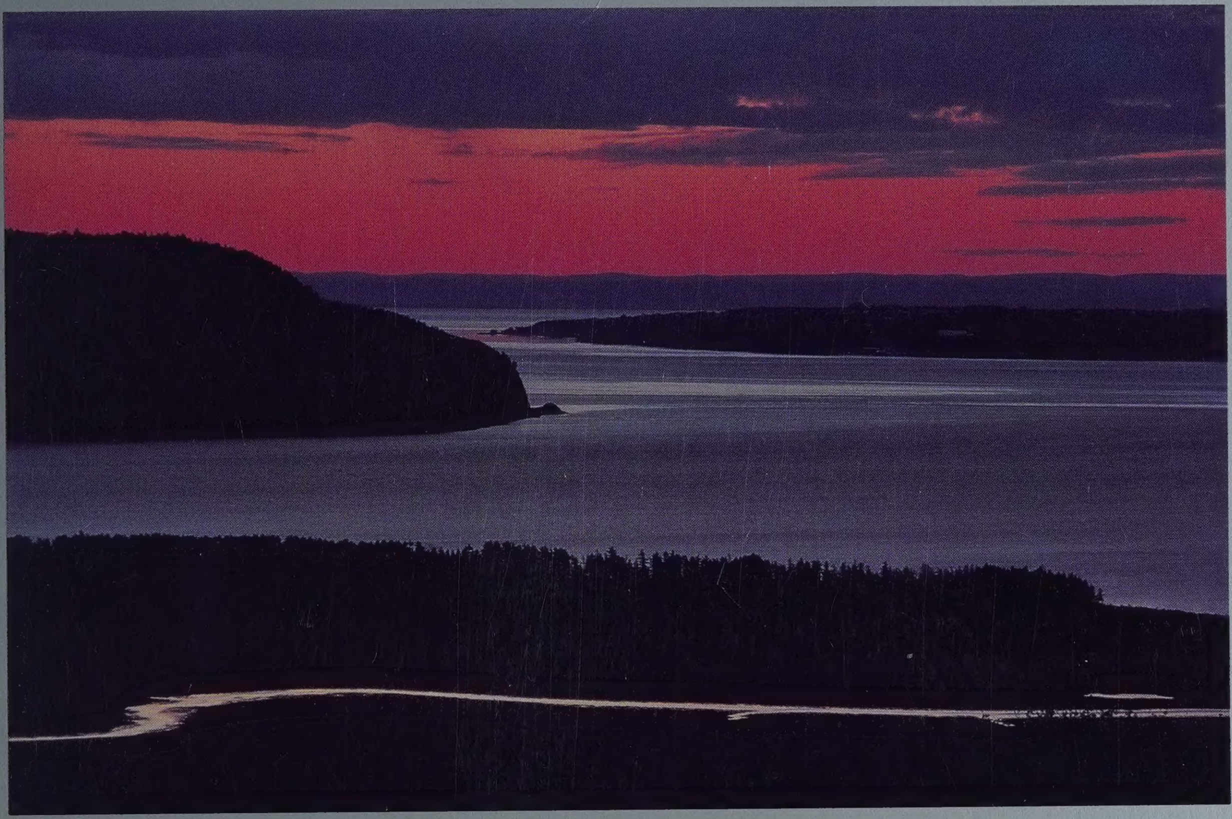
noranda



1985 Annual Report

## *ANNUAL MEETING*

April 25, 1986, 2:30 p.m.
Royal York Hotel, Toronto, Canada

## *REFERENCE*

In this report unless indicated otherwise, divisions and/or companies are wholly owned; production is for the calendar year 1985; tons means short tons of 2,000 lbs.; mineral inventories are as at Dec. 31/85; financial data is in Canadian dollars.

## *TRANSFER AGENT AND REGISTRAR*

The Royal Trust Company, Toronto, Vancouver, Calgary, Montréal and Halifax.

The Chase Manhattan Bank, New York, NY.

## *MULTINATIONAL GUIDELINES*

In its international investment and trading activities Noranda continues to respect and adhere to the guidelines for multinational enterprises as established by the OECD. Noranda also supports the work at the United Nations for the development of guidelines to have universal applicability to an enterprise operating outside its home state.

## *TABLE OF CONTENTS*




An English or French edition of this Report may be obtained from the head office of the Company, P.O. Box 45, Commerce Court West, Toronto, Canada, M5L 1B6.

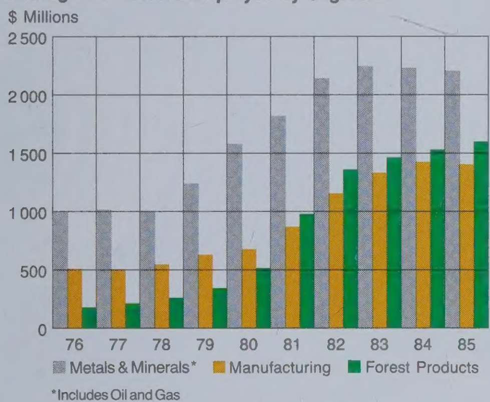
On peut se procurer la version française ou anglaise de ce rapport en en faisant la demande au siège social de la compagnie, B.P. 45, Commerce Court West, Toronto, Canada, M5L 1B6.

More detailed information may be obtained by writing the Secretary at the address noted above.

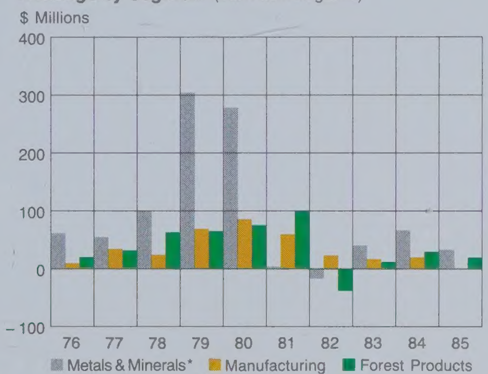
# Highlights

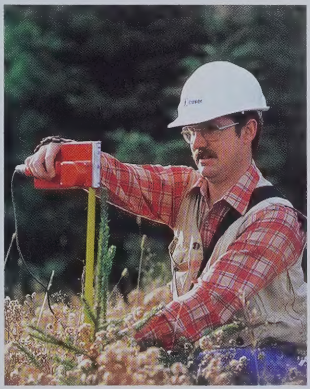
| $ millions | 1981 | 1982 | 1983 | 1984 | **1985** |
|---|---|---|---|---|---|
| **Year** | | | | | |
| Revenue | 3,030.4 | 2,830.2 | 3,106.2 | 3,400.1 | **3,462.1** |
| Share of earnings (losses) in associates | (1.5) | (74.7) | (8.7) | (3.5) | **11.4** |
| Earnings (loss) before unusual items | 110.4 | (136.4) | 4.3 | (4.5) | **(70.7)** |
| Earnings (loss) after unusual items | 169.4 | (79.2) | (24.7) | (4.5) | **(253.9)** |
| **December 31** | | | | | |
| Working Capital | 867.0 | 1,041.7 | 951.9 | 740.1 | **675.2** |
| Long-term debt | 922.3 | 1,722.9 | 2,061.8 | 2,287.2 | **2,251.4** |
| Shareholders' equity | 2,900.0 | 2,740.2 | 2,644.0 | 2,603.6 | **2,358.9** |

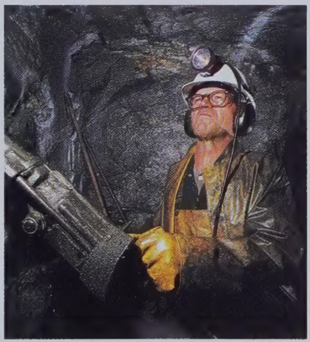
***Average Net Assets Employed by Segment***




***Earnings by Segment*** (before borrowing costs)





# Ownership

| December 31, 1985 | Registered holders of Common Shares | Number of shares (000) | Ownership |
|---|---|---|---|
| Canada | 22,429 | 124,613 | 96.4% |
| U.S.A. | 1,832 | 3,223 | 2.5% |
| Other | 337 | 1,423 | 1.1% |
| | Registered holders of Series A Preferred Shares | | |
| Canada | 5,153 | 3,581 | 99.9% |
| U.S.A. | 16 | 2 | .1% |
| | Registered holders of Series B Preferred Shares | | |
| Canada | 1,400 | 1,964 | 97.6% |
| U.S.A. | 73 | 45 | 2.2% |
| Other | 17 | 3 | .2% |

**Earnings and Dividends:** Noranda experienced another totally unsatisfactory year in 1985, with a loss from operations of $70.7 million or 88¢ per share after preferred dividends, compared with a loss of $4.5 million or 32¢ per share the previous year.

In addition, a number of unusual items affected 1985 results. With continued depressed conditions for North American mineral industries and uncertainty about when they will improve, it was decided to reduce to estimated realizable value all assets of doubtful value under foreseeable economic conditions. In addition, $34 million was provided against the default by the International Tin Council on its obligations to members of the London Metal Exchange, including Rudolf Wolff. This resulted in an after-tax provision of $308 million against the year's results, which was partly offset by after-tax gains of $125 million arising from the sale of certain assets. Including these unusual items, the loss for the year was $253.9 million or $2.38 per share after preferred dividends.

Four quarterly dividends of 12.5¢ per share on the common shares were paid during the year for a total of 50¢, the same as in 1984.

Throughout the year, there was continued economic recovery in most of the industrialized world, although it was somewhat sluggish. However, this had no impact whatsoever on prices of most resource products because North American currencies, while they declined somewhat as the year progressed, still remained at very high levels. While there was modest improvement in the prices of some products, in most cases prices in 1985 were below 1984 levels and in some cases the declines were substantial. Thus, despite very significant achievements in terms of productivity, it was not possible to return to profitability.

Metals and minerals results improved modestly in the first quarter, but had deteriorated markedly by the third quarter as the erosion in the prices of a number of products was exacerbated by a collapse in prices for zinc and potash and resulting inventory write-downs. Poor results continued in the fourth quarter as prices in real terms for many products remained below the depressed levels of 1982, but this was partly offset by a partial withdrawal of pension fund surpluses.

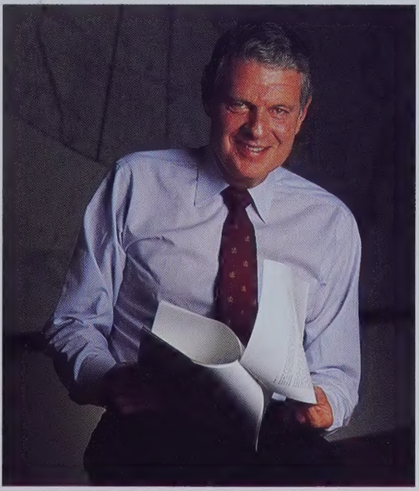
Markets for brass mill products continued to be plagued by sluggish demand and thin margins throughout the year, while wire and cable results were improved. The major problem in manufacturing, however, was the disastrous level of aluminum metal prices, which started the year at very low levels and deteriorated further through the third quarter. One of the three potlines was shut down early in the year, while half of a second potline was shut down in October. Thus, while results were better than plan in the aluminum fabricating operations they were totally overwhelmed by large losses on metal production.

In forest products, the prices of solid wood products were somewhat better than in the previous year, but prices of newsprint and containerboard eroded and the average price received for pulp was some 20% less than in 1984. With markets in oversupply, extensive downtime was necessary to control inventory levels. While

***Earnings (losses) before unusual items***

| ($ millions) | 1984 | 1985 |
|---|---|---|
| Metals and minerals | $ 58.8 | **$ 37.1** |
| Oil and gas | 6.9 | **(5.0)** |
| Manufacturing | 19.3 | **.8** |
| Forest products | 28.4 | **18.6** |
| Operating earnings | $113.4 | **$ 51.5** |
| Cost of borrowing | (117.9) | **(122.2)** |
| Loss | $ (4.5) | **$(70.7)** |

*Inventory of water tubing is checked by Marcel Croteau prior to shipment from Noranda Metal Industries' Montréal East plant.*



***Quarterly operating earnings before borrowing costs***

| ($ millions) | Metals &* Minerals | Manu-facturing | Forest Products | Total |
|---|---|---|---|---|
| First | $22.4 | $(1.6) | $ 1.8 | $22.6 |
| Second | 14.3 | .4 | 2.6 | 17.3 |
| Third | (17.9) | (7.4) | 7.4 | (17.9) |
| Fourth | 13.3 | 9.4 | 6.8 | 29.5 |
| Year | $32.1 | $ .8 | $18.6 | $51.5 |

*Includes oil and gas

*Alfred Powis,*
*Chairman and Chief Executive Officer.*

results improved somewhat as the year progressed, they remained at totally unsatisfactory levels.

Efforts to improve productivity and competitiveness continued throughout the year, and as detailed elsewhere in this report considerable success has been achieved since the hard times began in 1982. While these efforts were not enough to restore profitability under the conditions that prevailed in 1985, they have placed Noranda in a position to perform strongly as North American currencies retreat to reasonable levels.

**Financial Position:** Resource industries are cyclical, and it has been Noranda's practice to maintain capital, exploration and research programs during downturns in the expectation that the resulting damage to balance sheet ratios would be repaired when conditions changed for the better. Over the past four years, while in a loss position, Noranda has invested some $2.2 billion in new or modernized facilities, of which $381 million was spent in 1985. Inevitably, this led to a substantial increase in debt levels.

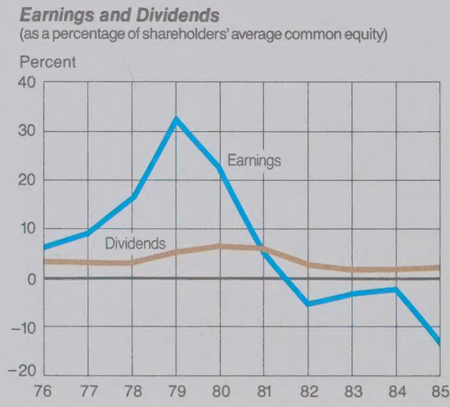
For Noranda, the current recession has been of unprecedented length and severity. During 1985 it was decided that a debt reduction program should be undertaken even though the expected recovery had not happened. The objective of this program is to reduce debts by a minimum of $1 billion by mid-1986 without affecting Noranda's core businesses.

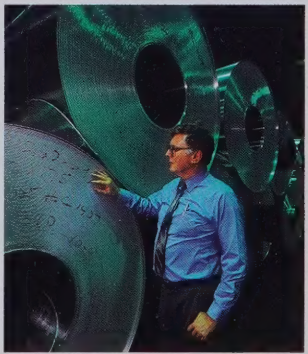
In pursuit of this goal, some $475 million was raised during 1985, of which $328 million was realized from the sale of Noranda's interest in Placer Development, $74 million from a partial withdrawal of the surplus in the salaried employees' pension fund, and $71 million from the sale of other assets. Since the year-end, $240 million has been raised through the sale of 12.5 million common shares plus tax credits, and the interest in Tara Exploration and Development was sold for $61 million. In conjunction with other smaller asset disposals since the year-end, the total amount now raised slightly exceeds $800 million, and other transactions are imminent that will increase the amount to more than the minimum $1 billion target.

As a result of actions taken in 1985, Noranda's net debt (i.e. total debt less cash) at year-end was about the same as at the end of 1984 and $400 million less than the peak during the year, despite ongoing expenditures to complete the major Hemlo and Maclaren projects. With these projects virtually complete ongoing capital spending will be constrained within available cash flow. The debt reduction program will continue, as the $1 billion figure was a minimum target, and a considerable improvement in Noranda's balance sheet ratios is planned for 1986.

The assets disposed of as part of the debt reduction program were of high quality. However, they were peripheral to Noranda's core businesses, and in cash flow terms were contributing substantially less than the interest saving resulting from their disposal. The immediate effect of these transactions at present interest rates is estimated to be an improvement of almost $90 million in annual cash flow.

**Organization:** Historically, Noranda has evolved from mining to a company which is engaged in a broad range of natural resource and related activities. From an organizational standpoint, a similar evolution has occurred and in 1985 it was decided to establish four strategic business units – metals and minerals, oil and gas, manufacturing and forest products. Each of these strategic units will be self-contained and will be



accountable for the results they achieve. A small corporate office will be responsible for overall policy and planning.

Noranda Minerals is headed by Mr. K.C. Hendrick, formerly President of Noranda Sales Corporation, while Noranda Forest is headed by Mr. R.T. Kenny, formerly President of Maclaren. Mr. J.A. Masters remains in charge of oil and gas operations, and the Honourable E.C. Lumley has been appointed Chairman of Noranda Manufacturing.

**General Business Environment:** While 1985 was a poor year for Noranda, there were several positive developments in terms of the business environment.

The agreement between the federal government and certain provinces with respect to oil and gas taxation and deregulation is a profoundly constructive change from the environment created by the National Energy Program. The tax relief for the industry under the new regime will help cushion the impact of falling oil prices, and while deregulation will cause initial uncertainty and confusion the longer term health of the industry will be enhanced by allowing market forces a freer rein. While weak oil prices are a short-term problem, the new regime will result in a substantially higher level of activity in the petroleum industry than would otherwise occur.

The decision by the Government of Canada to enter into discussion with the United States leading towards freer trade is also a welcome development. More than 2 million Canadian jobs are directly linked to trade with the U.S., including a significant portion of the jobs within the Noranda Group. Secure access to this market is threatened by the rising protectionist sentiment in the United States, fuelled by the devastating impact of their overvalued currency on much of their primary industry. While in most cases Canada is not the target of this sentiment, we will not be exempted from its impact in the absence of a special arrangement. Aside from the defensive aspects of such an arrangement, secure access to the U.S. market should lead to enhanced employment opportunities and living standards for all Canadians.

Another welcome development is the decision by the major industrialized nations to attempt to bring the value of the U.S. dollar down to a more realistic level. If successful, this effort would restore the competitive position of the primary and manufacturing industries of the U.S. and Canada, and would dampen the protectionist sentiment in the U.S. that seriously threatens the fragile world economy. Overvalued North American currencies have been the most important single factor adversely affecting Noranda's results, and if the situation is corrected the beneficial effect would be profound.

**Outlook:** For the past four years, Noranda's plans have assumed a significant improvement in the markets and prices for its major products, and the record has been one of continued disappointment. Based on this experience, we are planning our future on the assumption that we will have to live with conditions that are not much better than what we have at present. A logical corollary of this was the decision to write down all assets of doubtful value under the economic conditions assumed and to embark on a debt reduction program under circumstances that are less than ideal.

It should be emphasized that the expenditures that have caused the high level of debt have been dedicated to producing new sources of revenue or to providing modern and world-class facilities. With efficient facilities, new revenue sources and reduced debt, our goal is to be profitable even if conditions do not improve.

There are reasons to hope that 1986 will be a better year. More forecasters believe that the economic recovery will continue, and the declining value of North American currencies should eventually be reflected in improved prices for products of the Noranda Group. If this happens, Noranda is in a position to do very well indeed. If it does not happen in 1986, Noranda will still emerge in much stronger financial condition and capable of competing effectively world-wide.

Once again, the directors wish to express their appreciation for the dedicated and effective efforts of employees throughout the Noranda Group in the face of extremely trying circumstances.

*On behalf of the Board.*

Alfred Powis

*Chairman and Chief Executive Officer,*

Toronto, Canada
March 12, 1986

While the end result of operations for the Noranda Group as a whole in 1985 was certainly a long way from satisfactory, all but two groupings were able to operate with positive cash margins. The continuing solid record of achievement of cost reductions and productivity gains positions the company very well for any reasonable upturn in its product prices. The operations that were the most stressed due to market conditions in their industry were those of market pulp and market aluminum. In both cases, operations were considerably less than capacity (84% for pulp, 67% for aluminum). As a measure of the environment in which Noranda facilities operated during the year, the table below shows what happened to product prices during 1985 as compared to 1984.

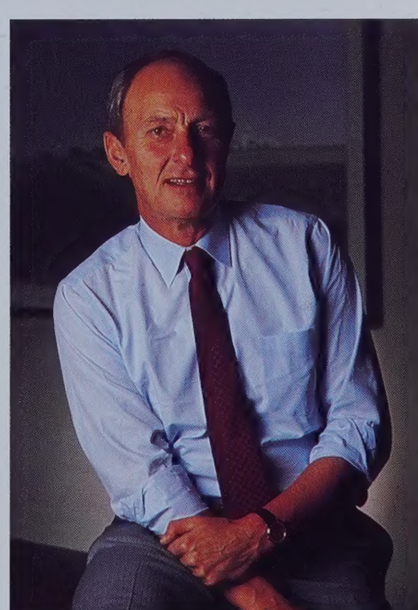
Since the beginning of the decline in our affairs in 1982, the company has maintained its commitment to completion of the major capital projects. This was done in the belief that we could not ignore the requirement to maximize productivity and cost effectiveness, as well as utilize our available resources. While no significant new programs except Golden Giant and the Maclaren newsprint machine have been commenced in the interval, the company's record of capital expenditures is indicated in the graph below.

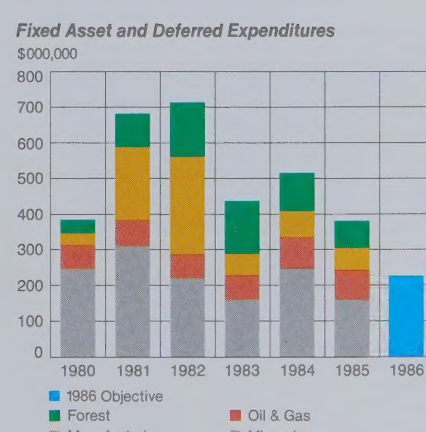
By the end of 1985, all major programs had been completed and none further will be commenced except those deemed essential for maintenance of business, or those mandated for safety or health reasons. The result should be spending at the quarter billion dollar level.

The following, amounting to $700 million, can be cited as some of the principal achievements in 1985:
1. The completion and startup of the Golden Giant mine within budget, on time and now operating ahead of planned levels.
2. The completion and startup of the Maclaren newsprint machine below budget, ahead of time and now operating at expected levels producing a sheet that tests as well as the best in the industry.
3. The acquisition and operation of the Scottsboro rolling mill, which now is profitable in excess of its feasibility study.
4. The completion and startup of the Canadian Hunter gas liquids extraction plant on time, within budget and capable of meeting all design criteria.
5. The revival of the Mines Gaspé operation with the development of the E Zone resulting in unit costs of copper produced being reduced by 35 cents per pound of copper.
6. The completion of the Chemainus sawmill on time and within budget with operations now producing profitably and in excess of plan.
7. Maintenance of Canadian mineral exploration at the $30 million level with much of the financing provided

| | *1984 Averages* | *1985 Averages* | *Change % 85/84* |
|---|---|---|---|
| | | (U.S. Funds) | |
| Copper | 62.6¢ | 63.8¢ | + 1.9 |
| Zinc | 48.6¢ | 40.4¢ | −16.9 |
| Lead | 25.5¢ | 19.1¢ | −25.1 |
| Gold | $360.44 | $317.27 | −12.0 |
| Silver | $ 8.14 | $ 6.14 | −24.6 |
| Aluminum | 56.5¢ | 47.9¢ | −15.2 |
| Lumber | $153.00 | $153.00 | 0.0 |
| Pulp | $517.00 | $420.00 | −18.8 |

*Maclaren's new newsprint machine, representing a capital investment of $117 million, is designed to produce 210,000 tonnes of high quality paper annually.*






*Adam H. Zimmerman, President and Chief Operating Officer.*

by flow-through shares and resulting in an increase of 86% in Noranda's Canadian gross metallic value exploration inventory.

8. Maintenance of Canadian Hunter's activity through farm-in deals.

9. Completion and startup of the Remnor project which extracts economic values from previously closed Horne mine workings.

A welcome phenomenon of the period of depression we have been enduring has been a reduction in labour turnover. This has meant that everybody has learned their job a great deal better and so it can be said that our employees generally are working harder and smarter. Together with the capital expenditure program already referred to, this has made possible the achievements in cost and productivity improvements since 1982 (table below).

It should be noted that, since 1982, there has been an aggregate of 16.5% inflation.

A continuous monitoring by the respective business groups of competitive costs to produce their products indicates that the Noranda capabilities are probably in the top quartile of North America. World costs, of course, are much more difficult to calculate due to the effect of competitive devaluations and the combined effects of perhaps lower productivity, offset by lower unit labour costs.

In the mining and metallurgical area the Bell mine in northern British Columbia was restarted as a result of cost reduction plans made possible through favourable negotiations with the labour union and the B.C. Critical Industries Commissioner. A similar plan also facilitated the reopening of the Brenda mine at Peachland, B. C. The Hopewell phosphate mine in Florida started up in the first quarter, but unfortunately in an environment of gross oversupply in the fertilizer industry. Noranda's holding of shares in Pamour Porcupine Mines was sold. The Golden Giant mine, where construction began April, 1983, produced its first gold brick in April, 1985. Significant staff reductions at the Horne and CCR properties bring to 30% such reductions since 1983, and these were effected through a combination of early retirements, layoffs and attrition. Although concentrate receipts were down from 1984, scrap and other metal-bearing material receipts were up more than enough to compensate. Zinc metal and concentrate production were reduced from planned levels at Brunswick and CEZ. The Heath Steele mine remains closed.

As stated previously, market pulp production throughout the company's system was down to an effective level of 84%. At year-end prices seemed to be responding as world inventories were declining. Newsprint remains profitable, although prices were

| | *Labour Productivity Gains (%)* | *Cash Cost/Unit (Reductions) (%)* |
|---|---|---|
| Zinc | 11 % | (2)% |
| Aluminum* | 44 % | (3)% |
| Pulp | 42 % | (13)% |
| Copper | (4)% | (21)% |
| Newsprint | 12 % | 2 % |
| Lumber | 38 % | (10)% |
| Gold | 69 % | (27)% |
| Potash | 16 % | (7)% |

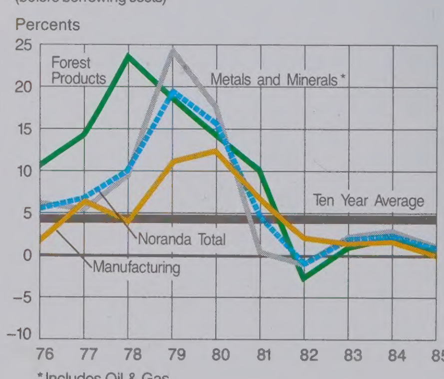
*1984 compared to 1982

**Revenue of Noranda's subsidiaries and major associates (100% basis)**

| *($ millions)* | *1984* | *1985* |
|---|---|---|
| Metals and Minerals | $1,323.5 | **$1,167.7** |
| Oil & Gas | 140.2 | **150.5** |
| Manufacturing | 1,648.8 | **1,560.7** |
| Forest Products | 3,297.4 | **3,517.0** |
| | $6,409.9 | **$6,395.9** |


*With Dave Olson at the controls, the Golden Giant mine at Hemlo poured its first gold bar in April, and by year-end had produced some 98,000 ounces of gold.*

**Return on Average Net Assets**
(before borrowing costs)




*Includes Oil & Gas

under pressure and our results were affected by the changeover at Maclaren from the two old to the one new machine, which had its normal share of problems at startup. In lumber, the business was really strong during the year as to volumes, and prices were at least at profitable levels. The Canadian industry continues to operate under the threat of a United States embargo or duty on imports into that country.

In the manufacturing area, Canada Wire was successful in disposing of certain peripheral assets and at the same time achieved some notable firsts, with completion of its Egyptian power cable contract and a fiber optic link between Montréal, Toronto and Ottawa for CN/CP. The combined Canada Wire/Carol Cable operations are now the major entry in the North American wire and cable industry. The Montréal Group sold its interest in the Bridon American Corporation and increased its interest in Wire Rope Industries to 80%. The company's operations in British Columbia were improved by a move to more efficient facilities. Considerable effort at process development for both Noranda Metal and Norcast has added tonnage to both operations and they did operate profitably.

As mentioned at the beginning, the critical difficulty in manufacturing was in the company's American aluminum business, which began with the #2 potline being frozen by extraordinary weather in January, 1985. This line was left down for the year due to market reasons and further reductions were taken in October. These are about to be reversed.

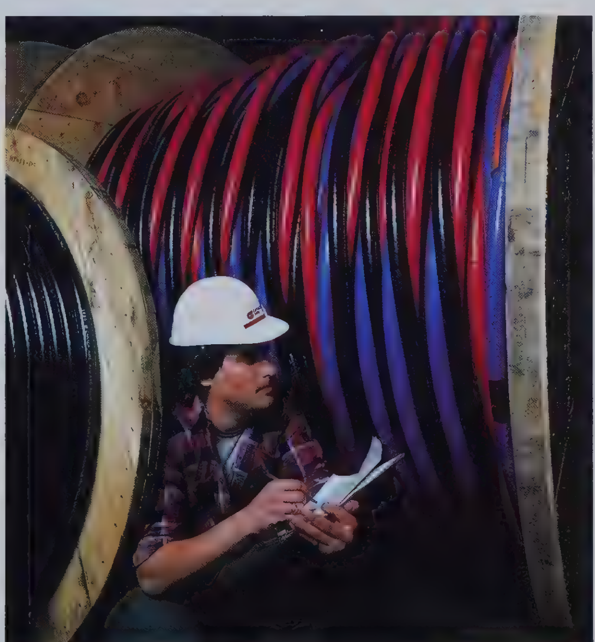
Norandal acquired the Scottsboro, Alabama facility in February, 1985 and it has operated as a major contributor to earnings since that time. This mill, together with the Huntingdon, Tennessee mill, are critical elements in maintaining the aluminum company's viability through integration. Norandex, whose business is changing, is becoming less of an aluminum consumer, but has become a satisfactory and efficient building material distributor.

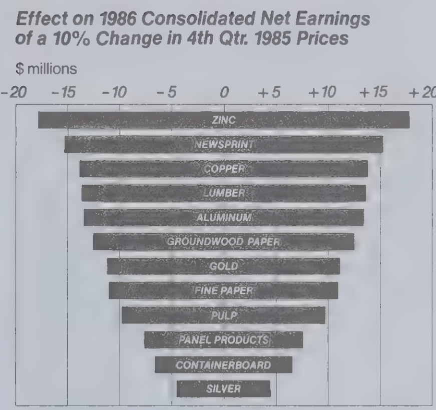
All of the foregoing represents a unique span of competitive resource-based assets in one of the world's most desirable areas. Great strides have been made through a difficult period and we look to further gains through our new organizational form, as well as improving markets which are described hereafter.

*President and Chief Operating Officer*

Toronto, Canada
March 12, 1986

*Canada Wire & Cable completed its $62 million contract to supply power cable to Egypt's Shoubra El-Kheima Power Project, the largest foreign contract in the company's 72-year history.*



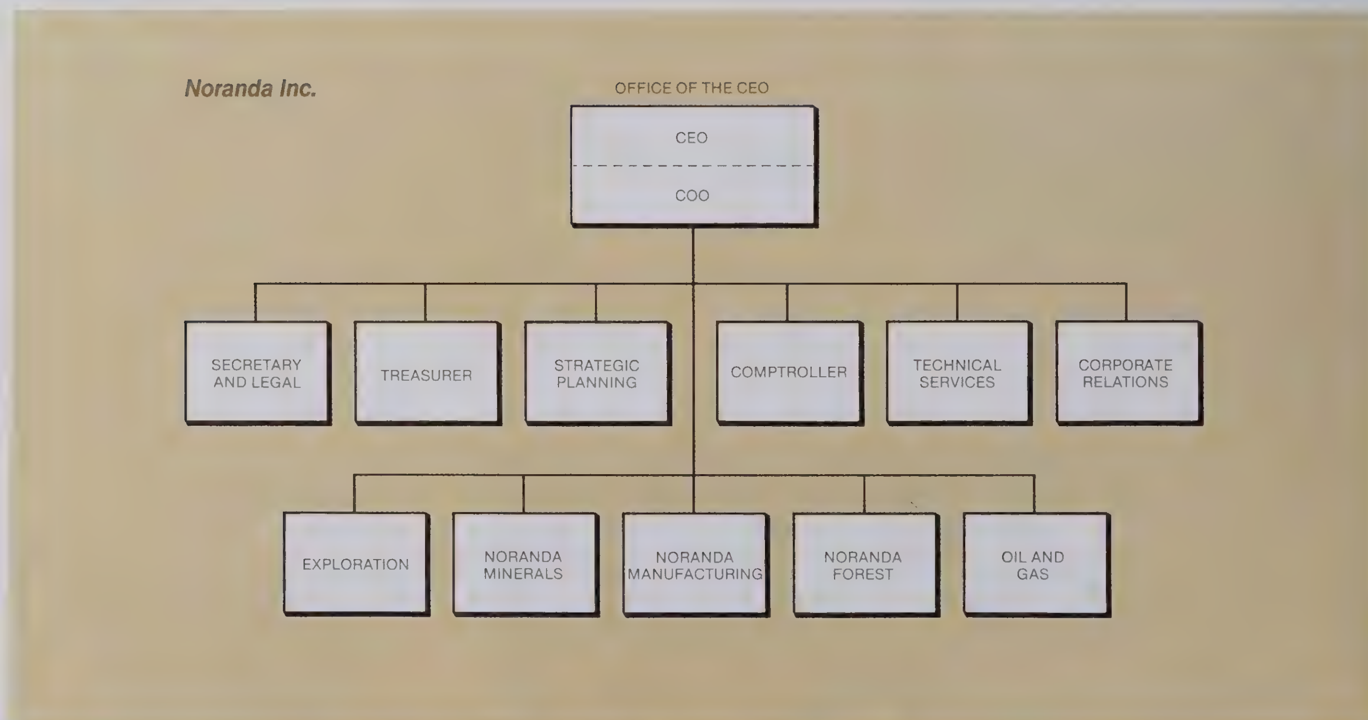


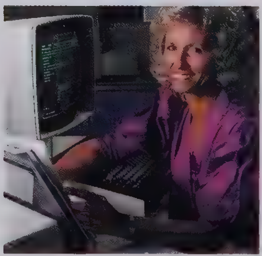
In today's natural resource business, Noranda has been under severe pressure: our markets have been soft, competition has been keen, and currency values have eliminated profitability. Having held its own, Noranda has now developed a concept of four strategic business units (SBU's) to prepare for a business future that is different from what we have experienced in the past.

The four SBU's are Noranda Minerals, Noranda Forest, Noranda Manufacturing and Canadian Hunter Ltd. Each of these businesses has its own characteristics and methods. The SBU form enables the corporation to respond to those particular aspects of the business, because inherent in the concept is the idea that each principal Noranda executive will have the resources necessary to get the job done.

Delegating accountability and responsibility down into the organization is consistent with the theme of participation and entrepreneurship at every level which has been adopted over the last several years. The SBU concept furthers that objective and provides a more coherent organizational framework to help Noranda meet its business and market challenges more effectively.

Within this structure, an Office of The Chief Executive Officer (OCEO) has been established to permit the Chairman (Chief Executive Officer) and the President (Chief Operating Officer) to relate operations and planning more sensitively to internal as well as external needs and opportunities.



*Miners (left) at the Remnor project are helping extract ore from previously-closed Horne mine workings. Computer operator Burma Thomas (right) is one of many who joined the Noranda Group with Norandal's acquisition of the Scottsboro, Alabama, rolling mill.*

Both the CEO and COO will maintain specific areas of cognizance. The CEO will focus generally on corporate and strategic matters, such as corporate planning, top-level management planning, public affairs, corporate services, and the secretary, treasurer and comptroller functions. The COO will focus on operational matters, including staff services heavily oriented to supporting operations. These include mineral, forest, oil and gas and manufacturing products, corporate relations, exploration, and a corporate technology function.

To maximize Noranda's effectiveness and to encourage interaction between long-term strategy and short-term operational coordination there will be considerable interplay at the top of the Noranda Group between line and staff. At the corporate level, every effort will be made to avoid compartmentalization.

To sum up Noranda's current organizational philosophy, the new structure will:
- Clarify what functions and responsibilities are properly corporate and what are operational.
- Emphasize each SBU taking responsibility at its level.
- Delegate to individual businesses the resources necessary to respond to business needs.
- Stimulate entrepreneurship within a framework that will ensure the best possible results for Noranda.
- Allow Noranda to respond to changing business conditions and to take advantage of opportunities in our natural business areas.
- Emphasize the need to work on current operations while planning our future in a manner consistent with today's realities.

*Hydraulic supervisor Frank Pells was ready when Brenda Mines went back into production as a result of negotiations with B.C.'s Critical Industries Commissioner.*

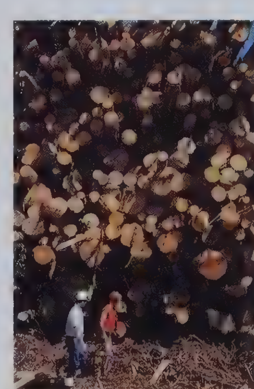
**Noranda Group Safety Record**

| | 1985 | 1984 | 1983 |
|---|---|---|---|
| **Metals & Minerals** | | | |
| Hours Worked | **20,848,648** | 21,497,178 | 22,428,177 |
| Lost Time Accidents | **624** | 753 | 841 |
| Frequency | **29.93** | 35.03 | 37.50 |
| Days Lost | **32,366** | 28,616 | 22,759 |
| **Forest Products** | | | |
| Hours Worked | **42,496,756** | 41,647,777 | 43,955,368 |
| Lost Time Accidents | **964** | 927 | 1,154 |
| Frequency | **22.68** | 22.26 | 26.25 |
| Days Lost | **67,235** | 46,787 | 55,777 |
| **Manufacturing** | | | |
| Hours Worked | **18,762,141** | 20,395,387 | 13,860,508 |
| Lost Time Accidents | **566** | 816 | 484 |
| Frequency | **30.17** | 40.01 | 34.92 |
| Days Lost | **12,798** | 24,983 | 9,322 |
| **Noranda Group Total** | | | |
| Hours Worked | **82,107,545** | 83,540,342 | 80,244,053 |
| Lost Time Accidents | **2,154** | 2,496 | 2,479 |
| Frequency | **26.23** | 29.88 | 30.89 |
| Days Lost | **112,399** | 100,386 | 87,858 |

**Total Employment**

| | Noranda & Subsidiaries | Associates | 1985 Totals | 1984 Totals |
|---|---|---|---|---|
| Canada | | | | |
| Mining & Metallurgy | 9,500 | 1,900 | **11,400** | 12,000 |
| Manufacturing | 4,000 | 0 | **4,000** | 4,300 |
| Forest Products | 4,400 | 14,100 | **18,500** | 18,800 |
| | 17,900 | 16,000 | **33,900** | 35,100 |
| International* | | | | |
| Mining & Metallurgy | 700 | 1,000 | **1,700** | 2,300 |
| Manufacturing | 5,700 | 0 | **5,700** | 6,200 |
| Forest Products | 1,100 | 3,100 | **4,200** | 4,100 |
| | 7,500 | 4,100 | **11,600** | 12,600 |
| Totals | 25,400 | 20,100 | **45,500** | 47,700 |

*Includes Tara Mines, but excludes other associates outside North America which employ some 12,000 people




*Danny and Bill Shearer (left) have sold Wire Rope Industries' Blue Strand ropes to the mining and logging industries for more than a quarter of a century.*

Metals and Minerals: 1985 was expected to bring better prices because of continuing economic growth and a lower-valued U.S. dollar. In fact, demand for most mineral and metal products was relatively unchanged with zinc and aluminum up while copper and lead were down. Overall, the ready availability of production, the aggressive competition among sellers, the existence of idle capacity and an uncertain outlook convinced buyers to maintain minimum inventories and ignore the possibility of tight supplies or higher prices. As events unfolded, the buyers' assessment proved correct.

Now, as we enter 1986, the forecast is for another modest increase in economic activity in several of the major industrialized countries and further declines in the U.S. dollar. With inventories of most of Noranda's metal and mineral products at reasonable levels, some limited price improvement is expected which might be enhanced by inventory building.

*COPPER* – Consumption in 1985, although down from 1984, was at a high level and remained healthy. Copper stocks declined more than 180,000 tons to normal levels. In anticipation of a further fall of 130,000 tons by mid-1986, prices improved in January.

Notwithstanding this positive trend, there is a vital need for increased and sustained product research and market development to expand copper's applications and defend against losses in automotive radiators, hardware and communications systems. A new initiative in Europe is seeking to promote copper by publicizing its versatility and superior properties, and this should also provide a spur to the existing industry research and development activities.

Support has widened for an international copper study group similar to the organization which has benefited lead and zinc for over twenty-five years. The resultant increased awareness of market conditions would help to resolve some of the problems of the copper industry.

A major source of Noranda's strength in copper is its world class smelting and refining facilities in Quebec which supply domestic consumption and export markets. While Noranda's mined copper production is now only 70,000 tons, the output of the refinery exceeded 340,000 tons. This reflects the major effort in recent years to purchase concentrate and blister across North America and from overseas producers, as well as a much greater volume of secondary materials.

*ZINC* – The zinc market remained close to balance with adequate inventories, but with supply tending to be slightly higher than demand.

Thus, the early price improvement was not sustainable into the traditionally weak third quarter. Producers faced with the general depression in other metals sought to maintain zinc sales and caused prices to weaken.

Noranda reacted by cutting zinc metal production in the second half by 10%. However, many producers operated at capacity and competed aggressively for market share. The result was a sharp drop in prices which reached bottom in the fourth quarter when the International Tin Council defaulted on its obligations to the members of the London Metal Exchange.

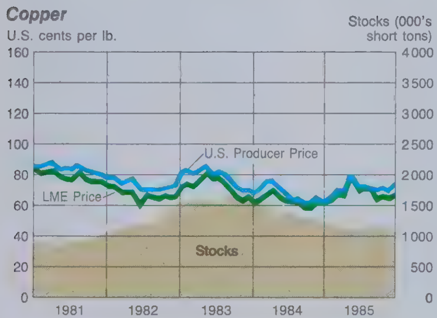
All non-ferrous metals need a greater effort to develop new uses. Zinc is no exception and is seeking a broader program, both on an industry basis and by individual companies. The Noranda Research Centre has followed its success in developing data on gravity cast zinc aluminium alloys with the possibility of using these alloys in die casting. As well, zinc's major application as a corrosion protection for steel continues to expand with six new electrogalvanizing lines planned or recently built in the United States.

*LEAD* – Lead is characterized by a static market and low prices. Its dominant use is the lead/acid battery which is without serious competition as the best high output energy source for transportation and stand-by power applications.

However, lead is losing participation as an additive to improve the performance and yield of gasoline and is also under attack in its historical solder and paint applications. While it continues to be important as a radioactive shield, a storage container for radioactive waste, and for sound attenuation, environmental concerns and the designation of lead as a hazardous material are working against broader markets.

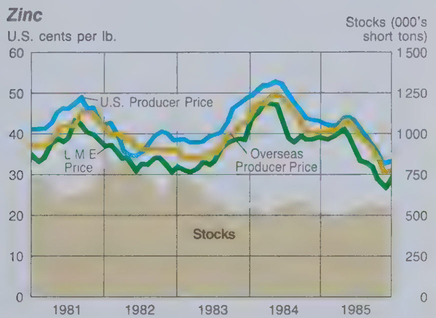
*ALUMINUM* – Under the weight of increasing stocks, prices drifted during 1985 to a low of 43¢ per pound on the London Metal Exchange. This forced the withdrawal of productive capacity and initiated an improvement in market sentiment which reversed the price trend. In common with other non-ferrous metals, the availability of surplus capacity will limit price rises and maintain the emphasis on cost reduction despite continued market growth. At date of writing, aluminum stocks are low,

*Cupronickel tubing, used in shipbuilding for the U.S. Marines, gets final quality inspection at N.M.I.'s Montréal East plant by André Sarrazin Jr. and Robert Bettner.*




| Western World Balance '000 Short Tons | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 7,713 | 7,865 | **7,765** |
| Demand | 7,492 | 8,287 | **7,946** |
| Stocks | 1,664 | 1,242 | **1,061** |

*Instructor Joe Jarosz, of the Geco Division, calls on 36 years of experience in the industry to train new employees in practical mining techniques.*




| Western World Balance '000 Short Tons | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 4,918 | 5,110 | **5,208** |
| Demand | 5,095 | 5,129 | **5,167** |
| Stocks | 537 | 518 | **559** |

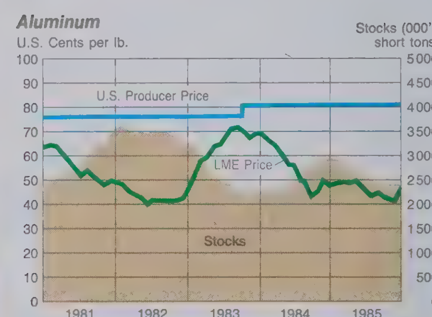
uneconomic production capacity is out of service, demand is brisk and the market gives every indication of gaining strength.

*GOLD AND SILVER* – Prices moved within a relatively narrow trading range throughout most of 1985. Historically, they have been influenced by the general perception of the future trend of inflation and this was seen as steady to slightly down, particularly with lower oil prices. In addition, there were no geopolitical crises until the Libyan confrontation this year which resulted in a 10% price increase. The unrest in South Africa and the weakening U.S. dollar were both positive factors as was the decision by the U.S. Congress to authorize the minting of U.S. gold coins from new mine production. This filled a market vacuum caused by the U.S. import ban on the South African Krugerrand gold coin. Finally, investment interest in gold and silver was maintained as purchasers sought alternatives to equities when the stock markets hesitated after achieving new records.

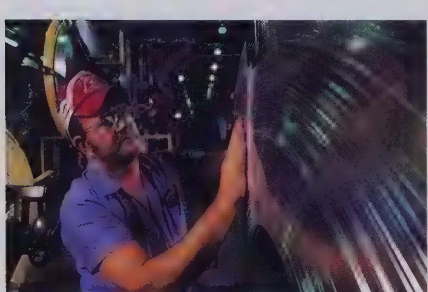
*OTHER MINERAL COMMODITIES* – Noranda has a major stake in fertilizers. It is a basic business, highly cyclical and dependent on weather and farm product prices – both of which have limited fertilizer application in North America in recent years. The result has been surplus inventories and distressed prices.

The annual production of sulphuric acid from Noranda's metallurgical plants at Valleyfield and Murdochville, Québec and Bathurst, New Brunswick is the largest in Canada at 730,000 tons. It is shipped to markets in eastern Canada and the U.S.A. with a portion converted to diammonium phosphate at Belledune, New Brunswick which, in turn, consumes some of the phosphate rock production from Noranda's Hopewell mine in Florida.


| Western World Balance '000 Short Tons | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 4,198 | 4,312 | **4,355** |
| Demand | 4,211 | 4,430 | **4,290** |
| Stocks | 398 | 280 | **345** |




| Western World Balance '000 Short Tons | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 11,943 | 13,734 | **13,171** |
| Demand | 12,948 | 13,106 | **13,605** |
| Stocks | 2,231 | 2,859 | **2,425** |



**Gold**

| Western World Balance 000,000 Troy Ounces | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 41.7 | 47.5 | **45.5** |
| Demand | 32.6 | 39.5 | **37.5** |
| Surplus | 9.1 | 8.0 | **8.0** |

**Silver**

| Western World Balance 000,000 Troy Ounces | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 463.9 | 444.5 | **475.0** |
| Demand | 373.0 | 374.9 | **380.0** |
| Surplus | 90.9 | 69.5 | **95.0** |

*Tube saw operator Gene Bearden (left) and assistant caster Buddy Morris (upper photo), are employed at the Scottsboro rolling mill, which has the capacity to produce up to 95,000 tons of aluminum sheet per year.*

Noranda also markets fluorspar and hydrofluoric acid from its operations in Mexico, molybdenum from the Brenda and Gaspé mines, sodium sulphate from Alberta, copper sulphate, selenium and tellurium from the CCR copper refinery and cadmium from the CEZ zinc refinery.

A serious shock to the metal trading system was the default by the International Tin Council (ITC) on October 24th when the Buffer Stock Manager reported he had insufficient funds to cover his obligations. This default was the direct result of continuing over-production, stimulated by prices held above market-clearing levels. The Buffer Stock Manager was forced to purchase increasing surpluses which encouraged even more production. In the end, the law of supply and demand won out and the bubble burst.

As a result, tin trading worldwide was suspended and it took three months for the ITC member governments to commence negotiating a basis for resuming trading and gradually reducing the tin stockpile which overhangs the market.

A proposal was developed involving the member governments of the ITC, LME brokers and creditor banks, but failed on March 6 when Indonesia and Thailand declined to participate. As a result, the LME held a special clearing of dealer and client tin positions.

The cost of the default to all parties has been estimated publicly at £500 million or more of which Noranda's share is £17 million. Every possible action for recovery will be pursued.

The ITC was intended to moderate the fluctuations in tin prices and to ensure adequate supplies at reasonable prices. Its members comprised governments from 23 producing and consuming countries and the precedent of their default is very serious for international commerce and investment.

**Fertilizers & Chemicals**

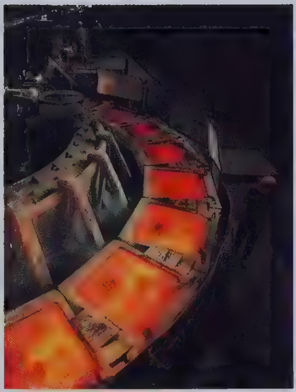
*Potash World Balance ('000 Short tons $K_2O$)*

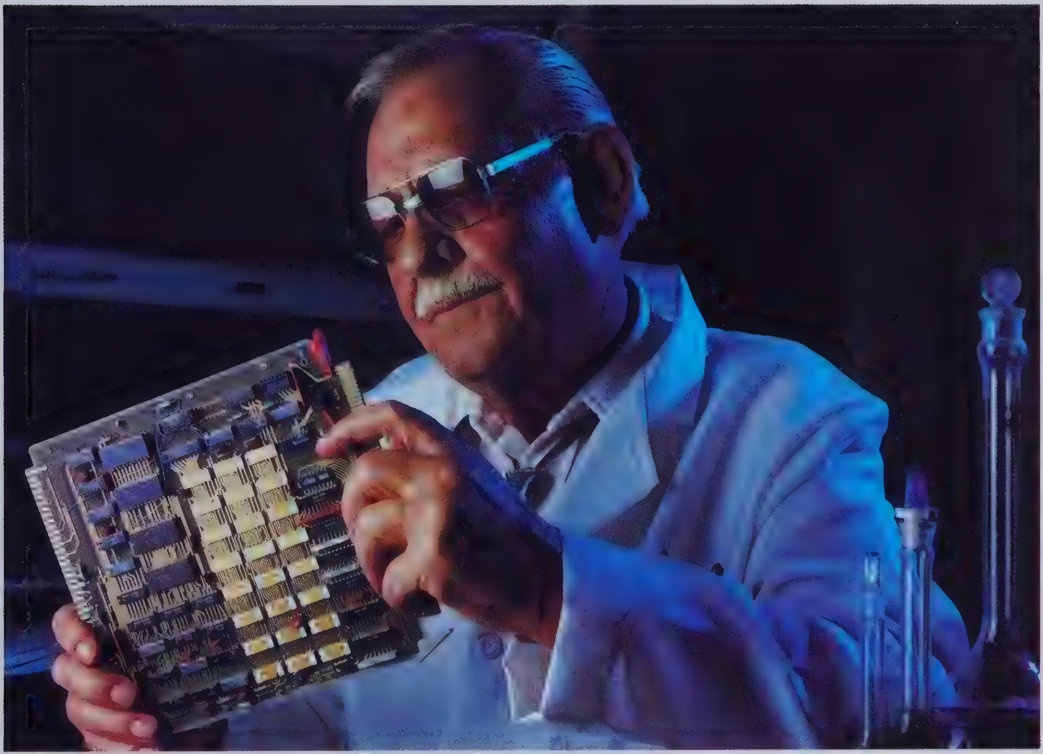
| Year Ended June 30 | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 27,642 | 30,732 | **31,327** |
| Demand | 28,130 | 27,976 | **28,340** |
| Surplus (Deficit) | (488) | 2,756 | **2,987** |

**Molybdenum**

*Western World Balance ('000,000 lbs.)*

| | 1983 | 1984 | 1985 Estimated |
|---|---|---|---|
| Supply | 97 | 162 | **172** |
| Demand | 137 | 171 | **172** |
| Stocks | 99 | 90 | **90** |





*Chief Chemist Jake Snyder, of Micro Metallics, assays computer scrap to determine precious and other metals content. Micro Metallics provides a captive source of materials for the Horne smelter at Noranda, Québec.*

FOREST PRODUCTS: Two factors dominated the market for forest products during 1985 – oversupply and foreign exchange fluctuations.

Oversupply has been a continuing reality for most commodity products and is the primary cause of the historically low prices for lumber, wood pulp and many grades of paper and board. 1985 saw the startup of new capacity in many countries. However, the pace of announced new projects slowed considerably. In 1986 and beyond, supply growth will be at manageable levels for most forest products with the exception of some grades of printing and writing paper.

The impact of foreign exchange movements, on the forest products industry worldwide and on the North American industry in particular, was to significantly alter the relative competitive positions of supply regions. From 1981 to March of 1985, the U.S. and Canadian dollars spiralled upward in relation to other major trading currencies. The result was that North America became the high cost producing region, causing a loss of export market share and an erosion of the North American domestic market to low cost imports. Over the last three quarters of 1985, and especially after the Group of Five meeting in September, the U.S. and Canadian dollar declined in value to the point where Canada, at least, is back to being a low cost producer of pulp, lumber and newsprint.

The outlook for 1986 is for modest gains to be registered in most sectors of the industry with both oversupply and foreign exchange changes moderating. Demand, which has been relatively strong since 1983, should continue to track overall economic growth and most forest products sectors are expecting 1-2% higher shipments in the current year.

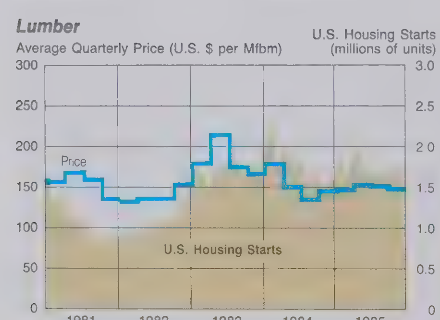
*LUMBER* – 1985 was a year of strong North American building activity. U.S. housing starts were down 1% compared to 1984 but repair and renovation markets were very active. Canadian housing starts were up 20% during the year. Prices increased on average in 1985, but abundant supply prevented any dramatic upward move, and the trading range for the year was relatively narrow.

Offshore markets were dull for the first three quarters of the year but, since the September initiatives to lower the U.S. dollar, prices and market activity improved sharply for Canadian suppliers.

Since 1982, Noranda's softwood lumber operations have raised productivity by 38%, and attention continues to be focused on extracting maximum value for Noranda's forest base.

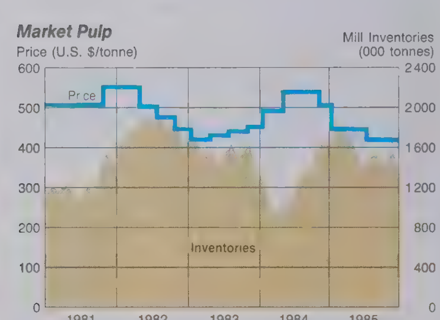
*PANELBOARDS* – Plywood and waferboard both experienced good market conditions in 1985. Canadian plywood in particular benefited from strong domestic construction demand and, in the latter part of the year, a resurgence of export markets.

Waferboard, a reconstituted panel product which substitutes for plywood in many end uses, also experienced strong demand and rising prices. Waferboard demand in 1986 will continue to grow as its share of the panelboard market increases. However, new capacity will put pressure on both waferboard and plywood prices in North America.




| | 1981 | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|---|
| U.S. Housing Starts (millions) | 1.10 | 1.06 | 1.70 | 1.74 | **1.73** |
| U.S. Lumber Consumption (billion fbm) | 32.70 | 30.90 | 38.20 | 41.80 | **42.00** |

*Mapping and interpreting information about environmentally sensitive zones in Fraser's woodlands, Martin Litchfield and co-workers have moved forest management into a new era of planning.*




| Norscan Balance (000 tonnes) | 1982 | 1983 | 1984 | 1985 |
|---|---|---|---|---|
| Production | 13,483 | 15,563 | 16,316 | **15,791** |
| Shipments | 13,398 | 15,952 | 15,904 | **16,109** |
| Closing Inventory | 1,597 | 1,194 | 1,616 | **1,313** |

Particleboard, another reconstituted panel used mainly in industrial applications, started 1985 on a weak note but improved during the second half. Prospects for 1986 are for further gains in shipments and prices.

*MARKET PULP* – High demand but low prices characterized the markets for wood pulp in 1985. The weak pricing was directly attributable to the 10% increase in world market pulp capacity over the past two years, and to the high value of the dollar which made Canadian mills non-competitive in critical export markets. Over the latter months of the year foreign exchange changes restored much of the competitiveness of Canadian producers. This, combined with extensive downtime to balance supply and demand and to reduce inventory levels, led to a firming trend in prices.

Since 1980, Noranda companies spent over $600 million to increase pulp capacity and to modernize their pulp operations. This investment made Noranda fully competitive with other North American producers.

*NEWSPRINT* – North American newsprint consumption increased marginally during 1985. Canadian shipments of newsprint rose by less than the overall market as overseas producers increased their share of U.S. demand. Price weaknesses increased during the year and are expected to continue through the first half of 1986.

Canadian shippers to offshore markets experienced a very difficult year because of the strong dollar. However, a recovery is expected in 1986. Overall newsprint shipments and margins will remain close to their 1985 levels.

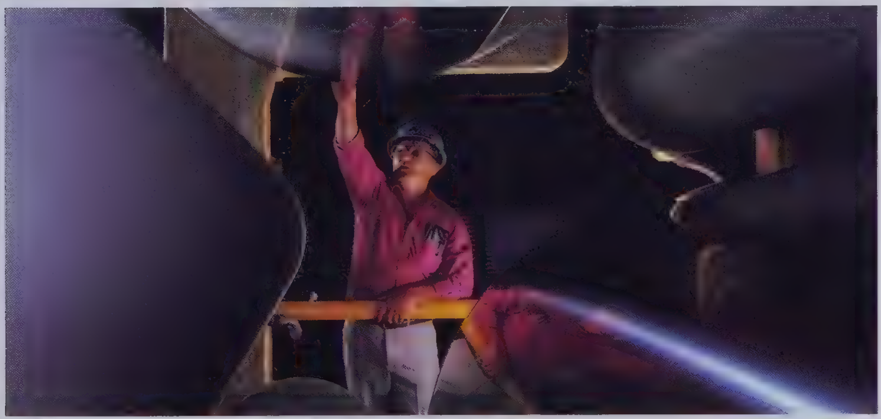
*PRINTING AND WRITING PAPERS* – After boom years in 1983 and 1984, printing and writing markets leveled out in 1985.

Uncoated wood-free papers, such as copier paper and computer form paper, declined sharply in price as new capacity competed for a share of the market. In the fourth quarter, however, order backlogs rose and prices stabilized. The situation was similar in the uncoated groundwood grades used for directories, catalogues and advertising inserts. In the U.S., demand levels were unchanged from the previous year. Demand for coated papers fell by 4% in the U.S. in 1985 as supply pressures eased and consumers reduced inventories. Prices, however, held up and actually increased on average over the year.

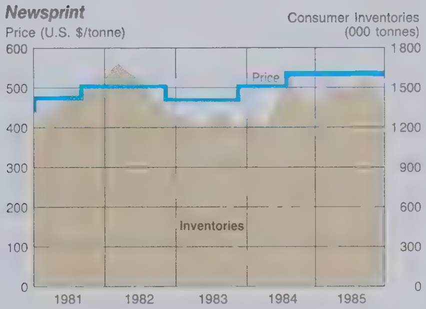
Overall, printing and writing papers were a highly profitable sector for Noranda in 1985.

*PAPERBOARD* – During the first half of 1985, slow growth in industrial output caused weak market conditions for mills producing linerboard, corrugating medium and boxboard. Kraft linerboard mills were especially hard hit because export markets dried up at the same time. Industrial production strengthened in the second half and the falling U.S. dollar boosted exports with the result that demand for paperboard began to recover.

In Canada, prices increased along with shipments. In the U.S., prices have not yet improved but prospects are good for increases during the first half of 1986.



*Teamwork, stressed by trainer Leonard Casey, has been responsible for Maclaren's newest machine producing top-quality product while overcoming start-up difficulties.*




| *U.S. Balance (000 tonnes)* | *1982* | *1983* | *1984* | ***1985*** |
|---|---|---|---|---|
| Consumption | 10,115 | 10,589 | 11,431 | **11,596** |
| Closing Inventory | 1,269 | 1,179 | - 1,329 | **1,378** |

Metals and Minerals: Prevailing metal prices during 1985 again dictated that Noranda's exploration efforts be mainly oriented toward precious metals but include base metal prospects in areas where Noranda processing facilities exist. Although several new mineral occurrences were discovered by Noranda crews in North America and Australia, the most promising are within Noranda's own backyards, including gold in the Timmins, Ontario and Noranda, Québec mining camps and copper-zinc-silver in the Matagami, Québec area.

During 1985, Noranda Exploration expended a total of $30.4 million seeking viable mineral deposits almost totally within North America. Outside this continent, efforts were minimal with the exception of Australia where the mineral exploration program is now self-supporting while the oil exploration program is being directly funded by Noranda. By commodity, 44% of the project expenditures were on base metal programs, 52% on precious metals and the remainder mainly for uranium, barite, etc.

Noranda Exploration continued to employ the most advanced technology and equipment available, as operations were carried out from 20 field offices throughout North America and Australia. During 1985 over 300 projects resulted in no less than 50 mineral discoveries with the most promising to be further explored in 1986.

Expenditures by Noranda in Canada totalled $20.0 million distributed throughout the entire country on over 250 active projects, of which 130 were jointly explored with others. Noranda's mineral properties were in strong demand due to increased flow-through funding. As a result $14.8 million was spent in addition by partners, earning them varying equity interests in our mineral properties and thereby assuring future sources of outside funding and accelerating exploration programs on Noranda-held properties. New mineral occurrences in Canada were discovered on 41 projects mainly by diamond drilling methods which saw the completion of 604 drill holes totalling 510,831 feet on 93 properties. The gross value of metallic mineral inventory on 18 of the latter exploration properties was increased approximately 86%. The more important properties in the mineral inventory that demonstrated economic potential during 1985, included the Isle Dieu Mattagami and Norita 'C' Zone new base metal deposits in the Matagami, Québec area. In the Noranda camp, economic gold intersections suitable as smelter flux were encountered on the Ribago, Arntfield and Remnor properties. Similarly, new gold mineralization was intersected in diamond drill holes on the Desantis Option in the Timmins, Ontario camp and on the Tundra Joint Venture property (Noranda 51.0%) at Courageous Lake in the Northwest Territories. Uranium reserves were increased 20% on the Eldorado-operated (Noranda 33.3%) Eagle Point Deposit in Saskatchewan.

In the United States, Noranda Exploration, Inc. spent $9.9 million (Cdn.) in the western States and to a lesser extent in the eastern U.S. Noranda Exploration farmed out with retained interest, sold or joint-ventured many projects to the extent that other companies paid for or spent $2.4 million (U.S.) on Noranda Exploration properties in 1985. This amount should double in 1986 as options are exercised. In response to requests by the zinc operations, 61% of the budget was spent on large projects looking for zinc in Alaska, Idaho, Montana, and New England. The economics of a modest size zinc deposit are being evaluated in northwest Alaska. Approximately 39% of the 1985 budget was spent looking for gold in Nevada and Colorado. Results from the Colorado program were encouraging as a new gold and copper-bearing system was indicated.

In Australia, the successful public float by Noranda Pacific (55% Noranda Inc.) raised approximately $9.8 million (Cdn.) net of costs in 1985, with a second call in 1986 expected to net another approximately $8.9 million. Noranda Pacific's consolidated working capital at year-end was $7.3 million after exploration expenditures totalling $2.4 million, which were mainly directed (80%) toward precious metals. Participation by Joint Venture partners on Noranda properties totalled an additional $0.8 million. The more important prospects of the 29 active projects during 1985 included the Mt. Leyshon gold deposit in Queensland, now at the feasibility stage, and the BHP operated Coronation Hill gold-platinum-palladium prospect in the Northern Territory, where additional economic grades were encountered in 1985 drill holes.

**Exploration Expenditures**

| ($ millions) | Base Metals | Precious Metals | Other | Misc | Total |
|---|---|---|---|---|---|
| Canada | 4.2 | 7.6 | 0.6 | 7.6 | 20.0 |
| United States | 4.6 | 2.8 | 0.1 | 2.4 | 9.9 |
| Other | | 0.2 | 0.1 | 0.2 | 0.5 |
| TOTAL | 8.8 | 10.6 | 0.8 | 10.2 | 30.4 |

*Geophysical field foreman Rod Swire was part of Noranda Exploration's intensive $30 million search for precious and base metals during 1985.*

Oil & Gas: Canadian Hunter Exploration Ltd. is a wholly-owned subsidiary of Noranda and it operates a joint venture owned 87% by Noranda and 13% by Kerr Addison.

The Hunter joint ventures were involved in 91 wells in 1985, an increase of 17 over the previous year. 1986 drilling activity level is projected to be similar to 1985 with a focus on oil and gas opportunities in western Canada. Canadian Hunter, Inland Natural Gas and Transmountain Pipelines have executed an agreement to conduct a $30 million exploratory program in 1986. Inland and Transmountain will pay one-half of the program cost to earn a one-quarter interest.

Daily gas production averaged 113 million cubic feet for the fiscal year. TransCanada Pipelines Limited, our major purchaser, increased average takes from 51% to 54% of contract quantities during the contract year ending October 31. The outlook for 1986 indicates higher levels of take but lower wellhead prices, resulting in little if any improvement in operating cash flow from existing contracts. The company welcomes the moves toward deregulation in gas marketing, and it has recently initiated new spot sales contracts.

Crude oil and natural gas liquids production increased to 3,734 barrels per day from 1,632 barrels per day in 1984. This increase results primarily from the new Elmworth and Wapiti Deep Cut facilities which came on-stream in June and October respectively. The company expects to average at least 6,200 barrels per day of oil and natural gas liquids during 1986.

On the Primrose Air Weapons Range, Hunter now has an interest in two approved 25,000 barrels per day in-situ heavy oil recovery projects. Construction on both the Dome Moore Project (13%) and the Suncor Burnt Lake Project (8%) is proceeding, with production expected to begin in late 1986. Production buildup will be staged to full production in 1991.

Noranda's share of Hunter's proven and probable remaining reserves at year-end were estimated at 98.7 million barrels of oil and natural gas liquids, and 1,067.1 billion cubic feet of marketable natural gas.

Proven reserves are volumes that are considered recoverable with a high degree of certainty under anticipated operating and economic conditions. Probable reserves are volumes that may be recovered from lands in the vicinity of proven reserves but where there is some degree of geological, engineering, operational or economic risk.

Panarctic Oils (3.5%) drilled and abandoned two offshore wells and one onshore well during the year. Cape Allison C-47 was an oil and gas discovery. East Drake L-06 discovered an extension to the Drake gas field. Skybattle Bay M-11 was a dry hole on Lougheed Island. One hundred thousand barrels of Bent Horn crude were shipped to Montréal.

Oil and gas expenditures were $81 million and operating profit was $55 million before taxes and a write-down of U.S. oil and gas assets.

***Oil and Gas – 100% Basis (Canadian/American Hunter)***

| *Financial $ millions* | *1984* | *1985* |
|---|---|---|
| Sales | 117.9 | **127.7** |
| Operating Profit | 61.1 | **54.8** |
| Average net assets employed | 369.1 | **378.6** |
| Expenditures | 89.7 | **80.6** |
| Employees | 219 | **247** |

***Drilling Activities – 1985***

| | *OIL* | *GAS* | *D & A* | *TOTAL* |
|---|---|---|---|---|
| Canadian Hunter | | | | |
| Working Interest | 21 | 26 | 21 | 68 |
| Royalty Interest | 6 | 1 | 6 | 13 |
| American Hunter | | | | |
| Working Interest | 0 | 0 | 6 | 6 |
| Royalty Interest | 1 | 0 | 3 | 4 |
| Total | 28 | 27 | 36 | 91 |

***Noranda Share of Reserves***

| | *Oil & Natural Gas Liquids (millions of barrels)* | *Marketable Natural Gas (billions of cubic feet)* |
|---|---|---|
| Proven | 38.6 | 528.6 |
| Probable | 60.1 | 538.5 |
| Proven & Probable | 98.7 | 1,067.1 |

***Noranda Oil & Gas Expenditures***

| *($ millions)* | *Land Acquisition & Exploration* | *Oil & Gas Development* | *Total* |
|---|---|---|---|
| Canadian Hunter | 13.2 | 45.1 | 58.3 |
| American Hunter | 22.3 | — | 22.3 |
| Total | 35.5 | 45.1 | 80.6 |

***Land Position***

| | *Gross Acres* | *Joint Venture Net Acres* | *Noranda Net Acres* |
|---|---|---|---|
| Canada | | | |
| Leases | 2,497,106 | 1,144,344 | 995,082 |
| Licenses & Permits | 3,149,620 | 592,634 | 515,334 |
| | 5,646,726 | 1,736,978 | 1,510,416 |
| U.S.A. | | | |
| Federal & State | 272,914 | 193,631 | 178,262 |
| Fee | 2,185,102 | 1,095,033 | 1,008,116 |
| | 2,458,016 | 1,288,664 | 1,186,378 |
| Total | 8,104,742 | 3,025,642 | 2,696,794 |

*Canadian Hunter participated in 91 wells drilled during 1985, and will continue to maintain its activities through farm-in deals in 1986.*

The Noranda Research Centre concentrated its efforts on helping Noranda's operations to increase their productivity through the use of better technology. In mining, a computer-aided system was developed for designing underground mine openings more rapidly than is possible by manual methods. Work continued toward improving the efficiency of blasting. On-site studies at Noranda's milling operations contributed to higher metal recoveries.

R&D efforts were an important factor in the implementation of new operating practices that have enhanced the Horne and Gaspé smelters' capabilities for treating complex feeds while improving cathode copper quality at CCR. These developments have helped to maintain the competitiveness of Noranda's copper business.

In manufacturing, a new process for making grinding slugs at a very substantial cost-saving was implemented at Norcast's Mont Joli foundry. Computerized methods for optimizing rolling mill schedules contributed to improved productivity in the production of aluminum sheet at Norandal's Huntingdon plant and copper strip at Noranda Metal Industries' Fergus operation.

New materials and manufacturing methods are increasingly challenging traditional metals in major end-use markets. Product research continues to be a key element of Noranda's zinc marketing strategy. A significant breakthrough was achieved in expanding the application of the ZA family of zinc-aluminum casting alloys with the development of proprietary technology for the hot-chamber die-casting of ZA-27.

While focusing on the immediate needs of the operations, the Research Centre continued to pursue new opportunities which will help shape Noranda's future. Significant progress was made in the development of a selenium-based digital X-ray imaging system for medical applications. Another entry for Noranda into the rapidly-growing field of optically active semiconductors is expected to result from a recent agreement with Nova Crystals Ltd., which is developing unique technology for growing high-quality gallium arsenide single crystals.

Hydro-Québec's purchase of a one-third interest in Electrolyser Inc. early in the year, and a contract to supply a 6-MW hydrogen plant to HydrogenAL at Bécancour, Québec, marked the maturing of this business venture, which began as a Noranda Research Centre project almost ten years ago.

Total operating expenditures at the Research Centre were $9.8 million.

**Noranda Enterprise Limited:** The venture arm of Noranda encompasses a diversified portfolio of emerging growth companies in advanced technology. The main thrust of its investment strategy is to provide assistance to this entrepreneurial, innovative and productive sector of the business community. The benefits from Noranda Enterprise's industrial exploration include identifying new technologies that can contribute to Noranda's operations, providing a window on new business opportunities for tomorrow and the potential for significant capital appreciation.

*Research & Technology Review Board meets several times a year to evaluate the Centre's R&D programs, review technology pointing to new directions for research and to advise on trends leading to new product development. Vladimir LaBuc (right) works with ultrasonic scanning instrument used to map underground mine openings.*

Capital environmental expenditures over the past 10 years for air, water, industrial hygiene, waste disposal and environmental research total $477 million in 1985 dollars. Noranda's commitment to the maintenance of environmental quality continued in 1985 with several important positive developments.

An industrial accident in Bhopal, India, in the latter part of 1984, alerted industries and the public to the potential risks involved when handling large quantities of dangerous chemical substances. The lessons to be learned were not lost on Noranda, which initiated a Group-wide reassessment of our capability to avoid and respond to major industrial accidents. An inventory of all toxic gases and chemicals handled by Noranda companies was conducted and plans for dealing with emergency situations were developed. An in-house task force will perform regular audits of company emergency programs to ensure Noranda's preparedness.

In the minerals group efforts were concentrated in the control of water quality, industrial hygiene and tailings disposal. The Golden Giant mine startup included the commissioning of a water treatment facility which is meeting effluent quality regulations. At Brunswick Mining and Smelting, (Smelting Division), an update of the 1979 University of Toronto health study of workers was commissioned by the union and company. The final report will be completed in 1986.

In the forestry sector Fraser Inc. achieved the siting and construction of a new landfill site, working together with provincial and municipal officials. Joint government research efforts were initiated on the potential uses of mill solid wastes and to study acid rain. Northwood Pulp continues its involvement in a 5-year study to the end of 1986, with other Prince George industries, to determine the impact of industrial operations on local air quality.

1985 was characterized as a year of acid rain policies and legislation in Canada. A formal national policy of 50% reduction of eastern Canadian $SO_2$ emissions by 1994 was agreed upon. The Ontario government introduced legislation affecting major Ontario sources. The Québec government promulgated regulations requiring the Horne smelter to reduce $SO_2$ emissions by 35% in 1989 and 50% by 1990 from a 1980 base. The regulation also requires construction of an acid plant by 1989. This is going to be a very expensive project which is not affordable by the Company alone. Discussion on financing of the acid plant continues with both levels of government. While in Canada a specific $SO_2$ emission control program has been legislated, the emphasis abroad was on more research to better understand the phenomenon. The results indicate that nitrates may be of greater importance than sulphates, especially in terms of the impact on forests and lakes. This supports Noranda's view based on extensive environmental studies conducted between 1977-1982 in northwestern Québec.

In 1985 Noranda became a partner in a unique tripartite agreement with the World Wildlife Fund Canada and Environment Canada to support the World Wildlife Toxicology Fund. The fund will concentrate its efforts on the study of the effects of chemicals and toxic pollutants on Canada's wildlife.

*Ongoing biological surveys of the Gaspé's York River, following a 1982 acid spill, monitor salmon fry population and have confirmed that the river has returned to a healthy state.*

*Along with opening a $2 million water treatment plant at its old Waite Amulet tailings, Noranda is involved with CANMET in core sampling to monitor earth and water quality of tailings.*

## FINANCIAL AND EMPLOYMENT

| ($ millions) | | 1984 | 1985 |
|---|---|---|---|
| *NORANDA COPPER GROUP* | | | |
| 100% Basis | Sales | 279.1 | **349.0** |
| | Average net assets employed | 393.2 | **365.7** |
| | Capital expenditures | 52.5 | **32.6** |
| Employees | | 3,256 | **3,500** |
| *MINING CORPORATION GROUP* | | | |
| 100% Basis | Sales | 297.5 | **214.6** |
| | Average net assets employed | 373.7 | **403.4** |
| | Capital expenditures | 159.8 | **81.8** |
| Employees | | 2,424 | **2,735** |
| *NORANDA ZINC GROUP* | | | |
| 100% Basis | Sales | 643.7 | **549.0** |
| | Average net assets employed | 485.4 | **449.7** |
| | Capital expenditures | 30.4 | **30.3** |
| Employees | | 3,962 | **3,789** |
| *OTHER* | | | |
| 100% Basis | Sales | 101.7 | **69.9** |
| | Average net assets employed | 258.4 | **305.3** |
| | Capital expenditures | 17.4 | **23.4** |
| Employees | | 346 | **343** |
| *TOTALS* | | | |
| | Sales | 1,322.0 | **1,182.5** |
| | Average net assets employed | 1,510.7 | **1,524.1** |
| | Capital expenditures | 260.1 | **168.1** |
| Employees | | 9,988 | **10,367** |
| Noranda's Share | Earnings after taxes, before borrowing costs | 44.9 | **29.9** |

## SMELTING AND REFINING PRODUCTION

| | 1984 | 1985 |
|---|---|---|
| *NORANDA COPPER GROUP* | | |
| *HORNE SMELTER* | | |
| Copper content of anodes produced (000 tons) | 195 | **205** |
| *GASPÉ SMELTER* | | |
| Copper content of anodes produced (000 tons) | 31 | **48** |
| Sulphuric Acid (000 tons) | 61 | **119** |
| *CCR REFINERY* | | |
| Copper (000 tons) | 341 | **336** |
| Silver (000 ounces) | 24,242 | **23,551** |
| Gold (000 ounces) | 555 | **653** |
| *NORANDA ZINC GROUP* | | |
| *CANADIAN ELECTROLYTIC ZINC* (90% direct, 5% indirect) | | |
| Zinc (000 tons) | 246 | **240** |
| Cadmium (000 lbs) | 857 | **902** |
| Sulphuric acid (000 tons) | 465 | **451** |
| *BRUNSWICK SMELTER* (64%) | | |
| Lead (000 tons) | 63 | **58** |
| Silver (000 ounces) | 3,377 | **2,656** |
| Sulphuric Acid (000 tons) | 204 | **170** |

## MINE PRODUCTION

### CONTAINED METAL

| | | Ore Treated (000 tons) | Copper tons | Zinc tons | Lead tons | Silver (000 oz) | Gold ounces | Molybdenum (000 lbs) | Muriate of Potash (000 tons) |
|---|---|---|---|---|---|---|---|---|---|
| *NORANDA COPPER GROUP* | | | | | | | | | |
| Mines Gaspé | 1985 | 1,207 | 13,993 | – | – | 153 | 622 | 718 | – |
| | 1984 | 392 | 5,627 | – | – | – | – | 300 | – |
| Chadbourne | 1985 | 231 | – | – | – | 14 | 20,117 | – | – |
| | 1984 | 294 | – | – | – | 19 | 27,659 | – | – |
| Mines Gallen (51%) | 1985 | 499 | – | 25,740 | – | 84 | 7,164 | – | – |
| | 1984 | 93 | – | 3,643 | – | 9 | 1,064 | – | – |
| Bell Copper | 1985 | 1,750 | 5,905 | – | – | 32 | 5,632 | – | – |
| | 1984 | – | – | – | – | – | – | – | – |
| Remnor | 1985 | 61 | – | – | – | – | 7,765 | – | – |
| | 1984 | – | – | – | – | – | – | – | – |
| Goldstream | 1985 | – | – | – | – | – | – | – | – |
| | 1984 | 153 | 4,548 | 358 | – | 43 | – | – | – |
| Noranda Lakeshore Mines | 1985 | – | 6,779 | – | – | – | – | – | – |
| | 1984 | – | 7,701 | – | – | – | – | – | – |
| *MINING CORPORATION GROUP* | | | | | | | | | |
| Geco | 1985 | 1,438 | 22,240 | 35,040 | 280 | 1,325 | – | – | – |
| | 1984 | 1,382 | 23,020 | 36,440 | 380 | 1,404 | – | – | – |
| Mattabi Mines (60%) | 1985 | 356 | 820 | 23,950 | 990 | 555 | – | – | – |
| | 1984 | 488 | 1,230 | 31,930 | 2,670 | 1,209 | – | – | – |
| Lyon Lake | 1985 | 313 | 4,360 | 24,680 | 620 | 1,430 | – | – | – |
| | 1984 | 417 | 4,920 | 34,800 | 1,580 | 1,851 | – | – | – |
| F Zone | 1985 | – | – | – | – | – | – | – | – |
| | 1984 | 26 | 20 | 2,830 | 70 | 36 | – | – | – |
| Golden Giant | 1985 | 358 | – | – | – | – | 98,155 | – | – |
| | 1984 | – | – | – | – | – | – | – | – |
| CCP | 1985 | 3,042 | – | – | – | – | – | – | 1,118 |
| | 1984 | 3,142 | – | – | – | – | – | – | 1,230 |
| Brenda (47%) | 1985 | 3,314 | 5,173 | – | – | 80 | 1,100 | 2,700 | – |
| | 1984 | 6,734 | 8,588 | – | – | 158 | 2,556 | 4,435 | – |
| Pamour (49%) | 1985 | 1,445 | 107 | – | – | 49 | 100,720 | – | – |
| | 1984 | 1,509 | 170 | – | – | 62 | 103,800 | – | – |
| Noranda Grey Eagle | 1985 | 268 | – | – | – | 86 | 42,986 | – | – |
| | 1984 | 240 | – | – | – | 88 | 47,928 | – | – |
| *NORANDA ZINC GROUP* | | | | | | | | | |
| Brunswick Mining and Smelting (64%) | 1985 | 3,650 | 7,072 | 261,792 | 34,394 | 5,734 | – | – | – |
| | 1984 | 3,924 | 6,331 | 284,517 | 94,128 | 6,607 | – | – | – |
| Heath Steele Mines (75% Little River Joint Venture) | 1985 | – | – | – | – | – | – | – | – |
| | 1984 | – | – | – | – | 469 | 14,919 | – | – |
| Matagami | 1985 | 1,208 | 9,453 | 42,325 | – | 250 | 4,044 | – | – |
| | 1984 | 1,177 | 11,284 | 52,310 | – | 252 | 4,848 | – | – |
| *TOTALS* | 1985 | 19,140 | 75,902 | 413,527 | 36,284 | 9,792 | 288,305 | 3,418 | 1,118 |
| | 1984 | 19,971 | 73,439 | 446,828 | 98,828 | 12,207 | 202,774 | 4,735 | 1,230 |
| Noranda's Direct Interest | 1985 | 15,182 | 70,217 | 308,393 | 23,334 | 7,410 | 236,057 | 1,998 | 1,118 |
| | 1984 | 14,172 | 66,284 | 330,093 | 63,968 | 9,119 | 143,982 | 2,413 | 1,230 |

| | 1985 (000 tons) | Copper % | Zinc % | Lead % | Silver oz. per ton | Gold oz. per ton | Molybdenum % | Muriate of Potash $K_2O$% | Phosphate Rock (000 tons) |
|---|---|---|---|---|---|---|---|---|---|
| *NORANDA COPPER GROUP* | | | | | | | | | |
| Mines Gaspé | | | | | | | | | |
| Needle Mountain | 4,120 | 1.75 | – | – | – | – | 0.028 | – | – |
| Copper Mountain Oxide | 22,933 | 0.44 | – | – | – | – | – | – | – |
| Murdochville Project | 4,789 | 2.94 | – | – | 0.49 | – | – | – | – |
| Mines Gallen | 1,038 | – | 5.59 | – | 0.80 | 0.026 | – | – | – |
| Remnor – proven & probable | 910 | – | – | – | – | 0.181 | – | – | – |
| Babine – Bell | 17,450 | 0.516 | – | – | – | – | – | – | – |
| Goldstream | 3,499 | 3.51 | 2.50 | – | 0.51 | – | – | – | – |
| *MINING CORPORATION GROUP* | | | | | | | | | |
| Geco | 17,292 | 1.66 | 3.24 | – | 1.30 | – | – | – | – |
| Lyon Lake | 950 | 1.58 | 9.15 | 0.96 | 4.76 | – | – | – | – |
| Mattabi Mines | 1,485 | 0.40 | 9.34 | 1.05 | 2.74 | – | – | – | – |
| Golden Giant | 22,925 | – | – | – | – | 0.286 | – | – | – |
| Central Canada Potash | 479,000 | – | – | – | – | – | – | 27.0 | – |
| Brenda Mines | 36,300 | 0.174 | – | – | – | – | 0.034 | – | – |
| Noranda Grey Eagle | 161 | – | – | – | 0.804 | 0.157 | – | – | – |
| Hopewell – recoverable product | – | – | – | – | – | – | – | – | 11,700 |
| Greens Creek | 2,624 | 0.46 | 9.05 | 3.50 | 20.45 | 0.119 | – | – | – |
| *NORANDA ZINC GROUP* | | | | | | | | | |
| Brunswick Mining and Smelting | 91,507 | 0.31 | 9.15 | 3.73 | 2.86 | | | | |
| – probable | 23,958 | 0.38 | 8.63 | 3.54 | 2.90 | – | – | – | – |
| Matagami | | | | | | | | | |
| Mattagami Lake | 1,805 | 0.42 | 4.86 | – | 0.60 | 0.010 | – | – | – |
| Norita | 1,401 | 2.39 | 2.45 | – | 0.47 | 0.015 | – | – | – |

*The above reserves are proven and/or drill indicated except where noted "probable", and were recalculated in 1985 based on updated forecasts and mining plans to include only material which the Company believes will eventually be mineable.*

## *OTHER ASSOCIATES*

### *FINANCIAL AND EMPLOYMENT*

| ($ millions) | | 1984 | **1985** |
|---|---|---|---|
| *KERR ADDISON* (100% Basis) | Sales | 48.7 | **48.0** |
| | Net earnings | 16.3 | **2.5** |
| | Average net assets employed | 392.2 | **357.3** |
| | Capital expenditures | 13.7 | **6.1** |
| | Employees | 412 | **367** |
| *TARA EXPLORATION* (100% Basis) (75% Tara Mines) | Sales | 153.8 | **114.3** |
| | Net earnings | 17.7 | **4.2** |
| | Average net assets employed | 147.6 | **141.3** |
| | Capital expenditures | 4.0 | **5.2** |
| | Employees | 1,026 | **1,015** |
| *NORANDA'S SHARE OF OPERATING PROFIT* (including Placer Development to September, 1985) | | 13.9 | **7.2** |

### *MINERALS INVENTORIES*

| | (000 tons) | | Grade | | |
|---|---|---|---|---|---|
| December 31 | 1984 | **1985** | Zinc % | Lead % | Gold (oz. per ton) |
| *KERR ADDISON* | 608 | **803** | | | 0.127 |
| *TARA EXPLORATION* | 56,739 | **56,432** | 8.84 | 2.64 | |

### *MINE PRODUCTION*

| | | | Metals Contained in Concentrate | | |
|---|---|---|---|---|---|
| | | Ore treated (000 tons) | Zinc (tons) | Lead (tons) | Gold (ounces) |
| *KERR ADDISON* | 1985 | 373 | | | 47,200 |
| | 1984 | 380 | | | 42,000 |
| *TARA EXPLORATION* | 1985 | 2,663 | 211,288 | 38,135 | |
| | 1984 | 2,670 | 226,940 | 40,960 | |

## NORANDA FOREST INC.

*FINANCIAL SUMMARY* – 100% Basis ($ millions)

| | | Net Earnings* | Sales** | Average Net Assets Employed | Capital Expenditures | Employees |
|---|---|---|---|---|---|---|
| *NORANDA FOREST SALES* | 1985 | 0.9 | 146.4 | 35.4 | 1.2 | 280 |
| | 1984 | (2.2) | 123.4 | 36.5 | 2.6 | 280 |
| *JAMES MACLAREN* | 1985 | 29.7 | 160.8 | 381.9 | 55.6 | 1,600 |
| | 1984 | 40.5 | 182.8 | 335.6 | 65.7 | 1,750 |
| *FRASER* | 1985 | (3.2) | 548.3 | 562.2 | 22.6 | 3,650 |
| | 1984 | 3.5 | 529.5 | 575.3 | 39.4 | 3,700 |
| *NORTHWOOD PULP & TIMBER* | 1985 | (19.7) | 354.0 | 553.5 | 27.8 | 2,200 |
| | 1984 | (14.0) | 363.4 | 577.2 | 9.3 | 2,400 |
| *MACMILLAN BLOEDEL* | 1985 | 42.9 | 2,335.4 | 2,036.0 | 96.6 | 15,000 |
| | 1984 | 19.3 | 2,127.6 | 1,912.0 | 137.7 | 14,800 |
| *TOTALS* | 1985 | 50.6 | 3,517.0 | 3,569.0 | 203.8 | 22,730 |
| | 1984 | 47.1 | 3,297.4 | 3,436.6 | 254.7 | 22,930 |

## NORANDA MANUFACTURING INC.

*FINANCIAL SUMMARY* – 100% Basis ($ millions)

| | | Net Earnings* | Sales** | Average Net Assets Employed | Capital Expenditures | Employees |
|---|---|---|---|---|---|---|
| *TORONTO GROUP* | 1985 | 1.6 | 711.0 | 482.1 | 16.1 | 5,260 |
| | 1984 | (11.6) | 682.7 | 493.8 | 18.0 | 5,690 |
| *MONTREAL GROUP* | 1985 | 6.2 | 216.3 | 129.8 | 4.6 | 1,790 |
| | 1984 | 5.9 | 276.7 | 136.8 | 12.0 | 2,220 |
| *CLEVELAND GROUP* | 1985 | (36.6) | 633.4 | 794.1 | 39.7 | 2,600 |
| | 1984 | (12.6) | 689.4 | 782.6 | 22.3 | 2,540 |
| *TOTALS* | 1985 | (28.8) | 1,560.7 | 1,406.0 | 60.4 | 9,650 |
| | 1984 | (18.3) | 1,648.8 | 1,413.2 | 52.3 | 10,450 |

**after borrowing costs*

***after eliminating intercompany sales*

## NORANDA FOREST INC.

### PRODUCTION

| | | Lumber MMfbm | Panel Products MM sq. ft. 1/16'' | Market Pulp (000 tonnes) | Newsprint & Paper (000 tonnes) | Containerboard (000 tonnes) |
|---|---|---|---|---|---|---|
| *JAMES MACLAREN* | 1985 | 23 | 780 | 96 | 114 | |
| | 1984 | 23 | 722 | 107 | 154 | |
| *FRASER* | 1985 | 84 | | 75 | 439 | 31 |
| | 1984 | 67 | | 60 | 458 | 29 |
| *NORTHWOOD PULP & TIMBER* | 1985 | 615 | 2,592 | 389 | | |
| | 1984 | 695 | 2,407 | 350 | | |
| *MACMILLAN BLOEDEL* | 1985 | 979 | 3,683 | 422 | 850 | 609 |
| | 1984 | 846 | 3,388 | 358 | 718 | 619 |
| *TOTALS* | 1985 | 1,701 | 7,055 | 982 | 1,403 | 640 |
| | 1984 | 1,631 | 6,517 | 875 | 1,330 | 648 |

## NORANDA MANUFACTURING INC.

### PRODUCTION

| | | | Metal Consumption (tons) | | | Prime Product Shipped (tons) |
|---|---|---|---|---|---|---|
| *TORONTO GROUP* | Canada Wire | 1985 | 117,800 | | | |
| | | 1984 | 111,800 | | | |
| *MONTREAL GROUP* | Noranda Metal | 1985 | 40,800 | *NORCAST* | 1985 | 33,700 |
| | | 1984 | 42,000 | | 1984 | 31,200 |
| | | | Primary Aluminum Produced | | | |
| *CLEVELAND GROUP* | | 1985 | 160,600 | *ALUMINUM* | 1985 | 210,900 |
| | | 1984 | 238,500 | | 1984 | 269,200 |

## ACCOUNTING POLICIES

**Basis of presentation of financial statements:**
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of Noranda Inc. (the Company) and all of its subsidiaries (Noranda). Interests in associated companies in which it has significant influence but not majority share ownership are accounted for on the basis of cost plus equity in undistributed earnings since the dates of investment. The difference between the cost of the shares of associated companies and the underlying net book value of the assets is amortized over the life of the assets to which the difference is attributed.

Certain subsidiary and associated companies own shares in the Company. The Company's pro rata interest in the carrying value of such shares has been deducted from shareholders' equity. Similarly, the Company's earnings per share have been calculated on the number of shares outstanding after reduction for such intercompany holdings.

**Translation of foreign currencies:**
Monetary assets and liabilities are translated at the exchange rate prevailing at the year end and revenues and expenses (other than depreciation) at average rates of exchange during the year. Non-monetary assets and liabilities are translated at historic rates of exchange. Long-term debt payable in foreign currencies is translated at the exchange rate prevailing at the year end with the resulting adjustment being amortized over the life of the debt. Exchange gains and losses arising on the translation of the accounts are included in consolidated earnings.

The accounts of self-sustaining foreign subsidiaries are translated using the current rate method, under which assets and liabilities are translated at the exchange rate prevailing at the year end, and revenues and expenses at average rates of exchange during the year. Gains or losses on translation are not included in the consolidated statement of earnings but are deferred and shown as a separate item in the shareholders' equity. Gains or losses on foreign currency balances and transactions that are designated as hedges of a net investment in self-sustaining foreign subsidiaries are reported in the same manner as translation adjustments.

**Inventories:**
Mine products are valued at estimated realizable value and other inventories at the lower of cost (determined on a first-in-first-out or average cost basis) and replacement value.

**Futures contracts:**
From time to time, Noranda owns futures contracts for the purchase or sale of metals and currencies not related to production. These contracts are not reflected in Noranda's accounts, beyond the amount of deposit required, until maturity date although provision is made for any estimated unrealized losses.

**Depreciation and mine development charges:**
Depreciation of property, buildings and equipment and amortization of mine development expenditures are based on the estimated service lives of the assets calculated using the method appropriate in the circumstances, for the most part straight-line for fixed assets and unit of production for development.

**Exploration:**
Mineral exploration expenditures are charged against current earnings unless they relate to properties from which a productive result is reasonably certain or on which work is in process. Gains on sale or recoveries of costs previously written off are normally credited against exploration expense.

The Company follows the full cost method of accounting for oil and gas operations whereby all exploration and development costs are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, rentals and related charges on undeveloped properties, costs of drilling productive and non-productive wells and direct overhead charges. These costs are accumulated on a country-by-country basis and are limited to the estimated value of future discounted revenues from production of proved reserves less costs for future developments.

Costs capitalized, except unproved property costs of significant undeveloped projects, are depleted using the unit of production method based upon estimated proved reserves as determined by Company engineers. Unproved property costs of major development projects as well as other costs of major development projects are not depleted until additional reserves are proved, the project is completed or an impairment in value has occurred.

**Preproduction costs:**
Preproduction costs including interest on major projects are deferred until the related facility achieves commercial production volume and are amortized on either a straight-line or a unit-of-production basis.

**Income taxes:**
Noranda follows the tax allocation method of accounting for income taxes. Under this method, timing differences between reported and taxable income result in provisions for taxes which are not currently payable. Such timing differences arise principally as a result of claiming depreciation, development, exploration and preproduction costs for tax purposes at amounts differing from those charged to reported income.

**Investment tax credits:**
Investment tax credits are accounted for using the cost reduction method. Investment tax credits generated by qualifying capital expenditures are accrued as deferred credits when reasonable assurance of realization of the benefit exists and are amortized to earnings on the same basis and at the same rate as the related expenditures are depreciated or amortized.

**Interest:**
Interest expense is charged to earnings except interest that can be identified with a major capital expenditure program.

**Capital leases:**
Noranda leases certain property, buildings and equipment under long-term capital leases which are recorded in the financial statements as fixed assets and long-term debt.

**Pension costs:**
Noranda has various contributory pension plans which cover substantially all employees. Current service pension costs are charged to earnings as they accrue. Past service costs are charged to earnings at rates which, based on annual independent actuarial estimates, will fully provide for the obligations over periods not longer than those permitted by various regulatory bodies. Contributions which would otherwise be required to fund pension rights being currently earned may not be made where the pension plan is overfunded.

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

| *EARNINGS* | (in thousands) | |
|---|---|---|
| Years ended December 31 | 1985 | 1984 |
| **Revenue** | | |
| Sales | $ 3,438,862 | $ 3,386,617 |
| Investment income | 23,203 | 13,461 |
| | 3,462,065 | 3,400,078 |
| **Expense** | | |
| Cost of production | 2,746,402 | 2,589,314 |
| Administration, selling and general expenses | 266,562 | 262,398 |
| Depreciation ($243,733; 1984–$200,891) and amortization | 267,322 | 263,360 |
| Exploration (net of premium on flow-through shares $8,832; 1984 $4,433) | 27,541 | 44,117 |
| Interest–net (note 5(a)) | 244,763 | 233,706 |
| | 3,552,590 | 3,392,895 |
| | (90,525) | 7,183 |
| Income tax recovery and production taxes (note 9) | 5,200 | 4,345 |
| Minority interests in losses (earnings) of subsidiaries | 3,220 | (12,450) |
| | 8,420 | (8,105) |
| Share of earnings (losses) in associates | 11,424 | (3,529) |
| Loss before unusual items | (70,681) | (4,451) |
| Unusual items (note 12) | (183,192) | |
| **Loss** | $ (253,873) | $ (4,451) |
| **Loss per common share before unusual items** | $ (0.88) | $ (0.32) |
| **Loss per common share** | $ (2.38) | $ (0.32) |

| *RETAINED EARNINGS* | | |
|---|---|---|
| **Balance**, beginning of year | $ 1,041,423 | $ 1,106,111 |
| Loss | (253,873) | (4,451) |
| | 787,550 | 1,101,660 |
| Dividends (note 8(f) ) | (97,778) | (92,369) |
| Disposition of shares held by associated companies (note 8(g) ) | 3,795 | 32,132 |
| **Balance**, end of year | $ 693,567 | $ 1,041,423 |

*(See accompanying notes)*

*CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION*

| Years ended December 31 | (in thousands) | |
|---|---|---|
| | 1985 | 1984 |
| **Cash from (used for) operations:** | | |
| Loss before unusual items | $ (70,681) | $ (4,451) |
| Charges (credits) not affecting cash: | | |
| Depreciation and amortization | 267,322 | 263,360 |
| Deferred exploration written off | 31 | 4,860 |
| Taxes provided not currently payable | (54,638) | (58,496) |
| Minority interest in earnings (losses) of subsidiaries | (3,220) | 12,450 |
| Earnings (losses) in associates net of dividends received | 221 | 14,235 |
| | 139,035 | 231,958 |
| Net decrease (increase) in accounts receivable, inventories and payables | (12,373) | 116,711 |
| Other | (380) | (6,415) |
| | 126,282 | 342,254 |
| **Cash realized from (used for) investment activities:** | | |
| Fixed asset additions | (315,948) | (433,073) |
| Deferred expenditures | (65,406) | (80,297) |
| Investments and advances | (141,914) | (21,609) |
| | (523,268) | (534,979) |
| Sale of investments | 377,027 | 7,800 |
| Sale of fixed assets | 72,126 | 12,313 |
| | (74,115) | (514,866) |
| **Cash available (required) before financing activities** | 52,167 | (172,612) |
| **Cash from (used for) financing activities:** | | |
| Long-term debt (repaid) incurred | (65,825) | 182,449 |
| Issue of shares – common | 15,601 | 18,156 |
| – preferred | 52,299 | |
| Dividends – shareholders | (100,983) | (97,848) |
| – minority shareholders of subsidiaries | (6,875) | (11,531) |
| | (105,783) | 91,226 |
| **Effect of exchange rate changes** | (2,229) | (8,419) |
| **Increase in net bank advances** | (55,845) | (89,805) |
| **Net bank advances, beginning of year** | (168,888) | (79,083) |
| **Net bank advances, end of year** | $ (224,733) | $ (168,888) |

*Net bank advances comprise bank advances less cash, short-term notes and marketable investments.*

*(See accompanying notes)*

## CONSOLIDATED BALANCE SHEET

| *ASSETS* | (in thousands) | |
|---|---|---|
| Years ended December 31 | **1985** | 1984 |
| **Current assets** | | |
| Cash and short-term notes | **$ 64,672** | $ 96,846 |
| Marketable investments, at cost (quoted market value $70,354; 1984–$83,296) | **66,386** | 82,643 |
| Accounts, advances and tolls receivable | **966,232** | 718,708 |
| Inventories | **840,194** | 885,757 |
| | **1,937,484** | 1,783,954 |
| **Investments in and advances to associated and other companies** (note 3(a)) | **1,142,295** | 1,263,926 |
| **Fixed Assets** | | |
| Property, buildings and equipment, at cost | **4,835,211** | 4,565,559 |
| Accumulated depreciation | **(1,965,564)** | (1,620,678) |
| | **2,869,647** | 2,944,881 |
| **Other assets** (note 4) | **291,233** | 313,571 |
| | **$ 6,240,659** | $ 6,306,332 |

## AUDITORS' REPORT

To the Shareholders of
Noranda Inc.:

We have examined the consolidated balance sheet of Noranda Inc. as at December 31, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Noranda Inc. as at December 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in accounting for investment tax credits explained in note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Clarkson Gordon
Chartered Accountants

Toronto, Canada, February 27, 1986
(except as to notes 12(a)(ii) and 12(b) which are as of March 12, 1986)

| *LIABILITIES* | (in thousands) | |
|---|---|---|
| Years ended December 31 | 1985 | 1984 |
| **Current liabilities** | | |
| Bank advances (note 5(b)) | $ 355,791 | $ 348,377 |
| Accounts payable | 795,509 | 601,803 |
| Taxes payable | 29,830 | 38,960 |
| Debt due within one year | 81,140 | 54,724 |
| | 1,262,270 | 1,043,864 |
| **Long-term debt** (note 5(a)) | 2,251,397 | 2,287,210 |
| **Deferred taxes and other liabilities** (note 6) | 273,093 | 225,780 |
| **Minority interest in subsidiaries** | 94,979 | 145,896 |
| **Shareholders' equity (note 8)** | | |
| Capital stock | 1,748,425 | 1,680,526 |
| Retained earnings | 693,567 | 1,041,423 |
| | 2,441,992 | 2,721,949 |
| The Company's pro rata interest in its shares held by subsidiary and associated companies | (78,052) | (96,756) |
| Currency translation adjustment (note 8 (e)) | (5,020) | (21,611) |
| | 2,358,920 | 2,603,582 |
| **Commitments and contingencies** (note 7) | | |
| | $ 6,240,659 | $ 6,306,332 |

*(See accompanying notes)*

On behalf of the Board

Alfred Powis

A. Powis, Director

W.P. Wilder

W.P. Wilder, Director

(all $ in thousands except for per share information)

*December 31, 1985*

### 1. Accounting Policies

The principal accounting policies followed by Noranda are summarized under the caption "Accounting Policies".

### 2. Change in Accounting Policy

In 1985, the Company changed its method of accounting for investment tax credits in accordance with the method recommended by the Canadian Institute of Chartered Accountants. Previously, investment tax credits were reflected in earnings in the years of realization. The effect of the change, which was applied prospectively from January 1, 1985 is not material to the earnings of the Company in the current year.

### 3. Investments

(a) Investments in and advances to associated and other companies consist of:

| | Noranda's Beneficial Interest | Carrying Value 1985 | 1984 |
|---|---|---|---|
| **Associated companies carried on an equity basis** | | | |
| Brenda Mines Ltd. | 47% | $ 9,168 | $ 13,031 |
| Craigmont Mines Limited (note 12) | | | 968 |
| Frialco/Friguia Guinean Consortium | 20% | 1 | 19,090 |
| Kerr Addison Mines Limited | 51% | 80,299 | 63,022 |
| MacMillan Bloedel Limited | 49% | 647,621 | 617,548 |
| Northwood Forest Industries Ltd. | 50% | 46,162 | 57,239 |
| Pamour Porcupine Mines, Limited (note 12) | | | 1 |
| Placer Development Limited (note 12) | | | 177,475 |
| Tara Exploration and Development Company Limited (note 14) | 49% | 57,997 | 59,014 |
| Associated manufacturing companies | | 40,419 | 55,004 |
| Other companies | | 100,524 | 78,293 |
| | | 982,191 | 1,140,685 |
| **Other investments and advances, at cost** | | | |
| Shares | | 156,499 | 117,044 |
| Advances | | 3,605 | 6,197 |
| | | 160,104 | 123,241 |
| | | $1,142,295 | $1,263,926 |

The calculation of beneficial interest includes interests held through other associated companies. Kerr Addison Mines Limited is not consolidated because the interest held directly and indirectly through other subsidiaries is less than 50%.

(b) Included above are shares carried at a book value of $936,285 which had a quoted market value of $713,013 at December 31, 1985 ($993,684 and $895,141 respectively, at December 31, 1984). The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations.

(c) Summarized financial information for MacMillan Bloedel Limited as at December 31, 1985 and 1984 and for the years then ended is as follows:

| **Financial position** | **1985** | 1984 |
|---|---|---|
| **Net assets employed** | | |
| Current assets | $ 733,100 | $ 739,800 |
| Deduct current liabilities | 239,500 | 241,500 |
| Operating working capital | 493,600 | 498,300 |
| Investments and other assets | 269,900 | 179,300 |
| Property, plant and equipment | 1,317,200 | 1,318,400 |
| | $2,080,700 | $1,996,000 |
| **Invested capital** | | |
| Interest-bearing indebtedness | $ 88,600 | $ 220,500 |
| Long-term liabilities | 775,100 | 696,800 |
| Deferred income taxes | 75,100 | 72,200 |
| Deferred revenue | 15,800 | 19,000 |
| | 954,600 | 1,008,500 |
| **Shareholders' equity** | 1,126,100 | 987,500 |
| | $2,080,700 | $1,996,000 |
| **Statement of earnings** | | |
| Sales of products and services | $2,335,400 | $2,127,600 |
| Costs and expenses | 2,226,500 | 2,060,400 |
| Operating earnings | 108,900 | 67,200 |
| Interest expense | (92,000) | (88,900) |
| Other income | 34,500 | 22,900 |
| Income tax (expense) recovery | (8,500) | 18,100 |
| Net earnings | $ 42,900 | $ 19,300 |

| **4. Other Assets** | **1985** | 1984 |
|---|---|---|
| Deferred preproduction and mine development | $ 206,992 | $ 214,690 |
| Deferred exploration | 40,529 | 46,503 |
| Other | 43,712 | 52,378 |
| | $ 291,233 | $ 313,571 |

*(all $ in thousands except for per share information)*

## 5. Debt

| (a) Long-term debt | 1985 | 1984 |
|---|---|---|
| **Noranda Inc.** | | |
| 9.75% sinking fund debentures due 1994 | $ 31,910 | $ 32,310 |
| 7.50% sinking fund debentures due 1988 | 13,676 | 14,812 |
| 9.25% sinking fund debentures due 1990 | 25,488 | 27,892 |
| Notes payable and revolving term loans (including $435,000 U.S.; 1984–$466,000 U.S.) (note 5(b)) | 1,107,913 | 988,920 |
| Variable rate serial debentures due 1986-1992 | 290,000 | 140,000 |
| **Noranda Aluminum Inc.** | | |
| 10.50% secured notes due 1995 ($49,200 U.S.; 1984–$53,600 U.S.) | 68,757 | 70,827 |
| 9.75% note due 1987 ($7,500 U.S.; 1984–$15,000 U.S.) | 10,481 | 19,821 |
| 9.75% note due 1985 (1984–$3,333 U.S.) | | 4,404 |
| Phase I and III pollution bonds due 2002 ($45,000 U.S.; 1984–$45,000 U.S.) | 62,887 | 59,463 |
| 8% pollution control revenue bonds due 2001 ($10,500 U.S.; 1984–$10,500 U.S.) | 14,674 | 13,875 |
| Capital lease – 5.90% industrial revenue bonds, sinking fund issues, due 1993 ($40,285 U.S.; 1984–$45,620 U.S.) | 56,298 | 60,282 |
| **Noranda Finance Inc.** | | |
| 10% – note payable due 1988 ($30,000 U.S.; 1984 – $30,000 U.S.) | 41,925 | 39,642 |
| Revolving term loans ($152,275 U.S.) | | 201,216 |
| **Brunswick Mining and Smelting Corporation Limited** | | |
| 5.85% first mortgage sinking fund bonds series "A" due 1986 | 1,052 | 1,052 |
| 7.25% general mortgage sinking fund bonds, series "A" due 1987 | 2,267 | 3,478 |
| 11% general mortgage sinking fund bonds, series "B" due 1996 | 15,699 | 16,637 |
| **Fraser Inc. (note 5(c))** | | |
| 6.125% sinking fund debentures due 1987 ($1,500 U.S.; 1984 – $2,250 U.S.) | 2,098 | 2,974 |
| 10.75% sinking fund debentures due 1986 to 1992 ($23,350 U.S.; 1984 – $25,680 U.S.) | 32,650 | 33,941 |
| Revolving term loan due 1987 convertible to a term loan due 1998 (1984 including $62,000 U.S.) | 225,983 | 272,751 |
| Notes payable due 1986 – 1989 | 15,005 | 13,754 |
| **James Maclaren Industries Inc.** | | |
| 5.75% sinking fund debentures due 1987 | 6,753 | 6,753 |
| Bank loan due 1986 – 1988 | 14,639 | 14,670 |
| **Canada Wire & Cable Limited** | | |
| Bank notes due 1986 – 1992 (including $145,333 U.S.; 1984–$152,220 U.S.) | 220,884 | 246,226 |
| **Carol Cable Company, Inc.** | | |
| Variable rate industrial revenue bonds, due 1986 to 1989 ($21,105 U.S.; 1984 – $21,105 U.S.) | 29,494 | 27,888 |
| Sundry indebtedness (including $19,079 U.S.; 1984 $13,691 U.S.) | 42,004 | 28,346 |
| | 2,332,537 | 2,341,934 |
| **Debt due within one year** | 81,140 | 54,724 |
| **Total** | $2,251,397 | $2,287,210 |

Maturities of long-term debt are as follows:
1987 – $520,371; 1988 – $883,262; 1989 – $165,271;
1990 – $168,703; and subsequent $513,790

Long-term interest expense for the year was $301,957 (1984 – $232,312) which, when netted with interest income and other interest expense, was $244,763 (1984 – $233,706).

(b) Notes payable with maturities in 1986 and revolving term loans have been classified as long-term debt as a result of unconditional commitments the Company has received from its bankers for contractual term credits of $1,107,913 (including $435,000 U.S.) expiring from June 30, 1987 to December 31, 1989.

(c) As collateral for Fraser Inc.'s sinking fund debentures there is a floating charge over its assets. Also, as collateral for Fraser Inc.'s revolving term loan certain assets have been assigned and a second floating charge on the remaining assets has been provided.

(d) Interest capitalized on major capital expenditures amounted to $28,000 in 1985 (1984 – $31,000).

## 6. Deferred Taxes and other Liabilities

| | 1985 | 1984 |
|---|---|---|
| Taxes provided not currently payable | $142,893 | $135,997 |
| Deferred liabilities and revenues | 130,200 | 89,783 |
| | $273,093 | $225,780 |

**7. Commitments and Contingencies**

(a) Capital expenditures of approximately $230,000 have been approved for the year ending December 31, 1986.

(b) Noranda has guaranteed or is contingently liable for repayment of loans of associated companies to the extent of approximately $57,500 at December 31, 1985.

(c) Based on the most recent actuarial valuation as at December 31, 1984, some of Noranda's pension plans were overfunded by $144,000. With approval of the appropriate authorities $74,000 of this surplus was withdrawn in 1985 and credited to the earnings of Noranda and its associates. Because of the continued overfunding, contributions of approximately $16,300 (1984 – $16,100) which otherwise would have been required to fund the pension rights being currently earned have not been made. Plans of certain subsidiaries were underfunded by approximately $36,000.

(d) Lawsuits have arisen which could affect the Company's interest in the Hemlo property. The prospectors who have an interest in the Hemlo property have sued seeking a declaration that their interest in the deposit is equal to 15% of profits after capital payback, whereas the Company maintains their interest is 7½% of profits. No trial date has been set for this action and the Company believes its position is well supported.

In February, 1984 a prime contractor at the Hemlo Project abandoned the job. The contractor has issued a writ against the Company claiming damages for breach of contract in the amount of $20,000. The Company has claimed damages from the contractor's bonding company for the contractor's failure to perform in the amount of $52,000. Approximately 80 claimants placed liens against the Hemlo property in related actions. A majority of these liens have been settled, although one claimant has added the Company as a defendant in an action by the claimant against the contractor's bonding company. The Company believes that it will prevail on the breach of contract issues and no trial date has been set in these actions. There remains approximately $2,400 worth of liens against the project which the Company believes will be settled. Marketable securities valued at $11,000, which had been pledged to the Supreme Court of Ontario, have been returned to the Company.

In 1985, a prime contractor at the Hemlo project advised the Company that it was claiming approximately $5,600 in respect of alleged extras and delays. No legal proceedings have been commenced and the Company believes that this claim is without merit.

In February, 1986, several corporations and individuals have commenced an action in Ohio against those U.S. subsidiaries engaged in coal-related activities. Damages in the amount of approximately $25,000 U.S. are claimed for breach of contract and tortious interference with business. The Company believes these actions are without merit and plans to bring a countersuit.

**8. Shareholders' Equity**

(a) **Capital stock**

| | 1985 | 1984 |
|---|---|---|
| Authorized: | | |
| Preferred shares, an unlimited number | | |
| Common shares, an unlimited number | | |
| Participating shares, an unlimited number | | |
| Issued: | | |
| Series A 9½% Preferred shares | $ 358,326 | $ 358,327 |
| Series B 9¼% Preferred shares | 52,299 | |
| Common shares | 1,337,800 | 1,322,199 |
| | $1,748,425 | $1,680,526 |

(b) **Preferred shares Series A**

The Company has designated 3,601,493 preferred shares as 9½% cumulative redeemable convertible preferred shares Series A of which 3,583,259 are outstanding. Each of these shares is convertible into 2.75 common shares until June 15, 1987. Shareholders may require the Company to redeem shares at par on September 15, 1986, by tendering such shares to the Company on or before September 4, 1986.

(c) **Preferred shares Series B**

During the year the Company issued 2,011,507 preferred shares which were designated fixed/floating rate cumulative redeemable retractable convertible preferred shares Series B. These shares were issued in exchange for the remaining shares of Fraser Inc. The holders of these shares will be entitled to dividends at the rate of 9¼% to July 15, 1988, and thereafter at a floating rate with a minimum of 7% and maximum of 12%.

The Company may not redeem these shares prior to July 15, 1990, but thereafter may redeem the shares at prices ranging from $27.00 in 1990 to $26.00 after 1994. Each of these shares is convertible into 1.3 Noranda common shares from July 16, 1988 until July 15, 1995, subject to certain conversion provisions. Shareholders may require the Company to redeem shares at $26.00 on July 15, 1995, by tendering such shares to the Company on or before July 4, 1995.

(d) **Summary of Common share transactions for the year**

| | Shares | Amount |
|---|---|---|
| | (in thousands) | |
| Common shares issued, beginning of year | 128,379 | $1,322,199 |
| Stock option plan | 7 | 63 |
| Stock dividends | 1,028 | 15,523 |
| Share purchase plan | 33 | 626 |
| Flow-through shares | 442 | 8,391 |
| Shares purchased or surrendered for cancellation | (630) | (9,002) |
| Common shares issued, end of year | 129,259 | 1,337,800 |
| Company's pro rata interest in its shares held by subsidiaries and an associate | 5,253 | 78,052 |
| Net shares | 124,006 | $1,259,748 |

The earnings per share calculations have been based on the weighted average number of shares outstanding 122,164,029 in 1985 and 120,290,200 in 1984.

(e) **Currency translation adjustment**

The following is a summary of the currency translation adjustment account:

| | 1985 | 1984 |
|---|---|---|
| Balance, beginning of year | $(21,611) | $ 9,381 |
| Net effect of foreign currency translation | 191 | 708 |
| Share of currency translation adjustment account of associate | 16,400 | (31,700) |
| | $ (5,020) | $(21,611) |

(f) **Summary of dividends**

| | 1985 | 1984 |
|---|---|---|
| During the year the following dividends were declared: | | |
| Preferred shares Series A | $ 34,060 | $ 34,041 |
| Preferred shares Series B | 2,801 | |
| Common shares | 64,122 | 63,807 |
| Total | 100,983 | 97,848 |
| Less the Company's pro rata share of dividends paid to subsidiaries and associates | 3,205 | 5,479 |
| Net charge to retained earnings | $97,778 | $92,369 |

(g) **Contributed surplus**

Contributed surplus at December 31, 1985, was $35,927 (1984 – $32,132) arising principally from the excess of the proceeds on sale of shares of the Company held by associates over their carrying value. This amount is included in retained earnings for financial statement presentation purposes.

(h) **Stock options**

During the year ended December 31, 1985, 7,523 shares were issued under the Company's stock option plan for $63 and options on 40,830 shares were cancelled. At December 31, 1985, options on 1,681,640 shares were outstanding and exercisable at prices varying from $8.34 to $22.91 for periods up to 1993.

(i) **Share purchase plan**

Under the Company's share purchase plan, shares are sold to a trustee for resale to employees financed by an interest-free loan from the Company. At December 31, 1985, the amount of the loan included in accounts receivable was $11,719.

(j) **Purchases for cancellation**

Shareholders have the right to receive either cash dividends or the equivalent in common shares. Under an exemption order of the Ontario Securities Commission, the Company may purchase for cancellation on an annual basis, through the facilities of the Toronto Stock Exchange, a number of common shares approximately corresponding in number to the common shares issued by it as stock dividends, subject to certain conditions. During 1985, 1,028,000 shares were issued as stock dividends and no shares were purchased for cancellation under this arrangement.

During the year the Company purchased 462,400 common shares for cancellation and subsequently issued 441,517 shares as flow-through shares to finance mineral exploration in Canada.

A subsidiary surrendered for cancellation 167,997 common shares during the year.

(all $ in thousands except for per share information)

**9. Income Taxes**
The provision for income and production taxes differs from the amount that would have been computed by applying statutory income tax rates to earnings before losses in associated companies and unusual items. The difference arose for the following reasons:

| | 1985 | 1984 |
|---|---|---|
| (Loss) income before the following: | | |
| income and production taxes | | |
| minority interests in losses (earnings) of subsidiaries | | |
| share of earnings (losses) in associates | | |
| unusual items | $(90,525) | $ 7,183 |
| (Recovery) provision based on combined federal and composite provincial rate of 49.7% (1984 – 49.7%) | (44,991) | 3,570 |
| Increase (decrease) in taxes resulting from: | | |
| Inventory allowance | (6,910) | (6,486) |
| Resource and depletion allowance | (21,915) | (38,353) |
| Royalties and mineral taxes | 43,431 | 50,516 |
| Unrecognized tax savings on operating losses | 12,863 | |
| Investment tax credits | | (12,985) |
| Sale of exploration credits | 4,107 | |
| Other | 8,215 | (607) |
| Income tax recovery and production taxes | $ (5,200) | $ (4,345) |

At December 31, 1985, the Company has available losses of approximately U.S. $206,000 for which no tax benefit has been recognized in the consolidated financial statements. These losses expire subsequent to 1990.

**10. Related Party Transactions**
The following summarizes the related party transactions during the year between Noranda and associated companies.

(a) Sale of goods and services, consisting primarily of sales commissions and sales of lumber at market prices on normal trade terms, amounted to $49,305 and gave rise to accounts receivable at December 31, 1985, of $18,763 (1984 – $73,669 and $13,964 respectively).

(b) Purchase of goods and services, consisting primarily of commissions on forest product sales and purchases of alumina at market prices on normal trade terms amounted to $90,135 and gave rise to accounts payable at December 31, 1985, of $21,027 (1984 – $100,138 and $29,984 respectively).

(c) Noranda and associated companies participate in a short-term investment pool, which gave rise to a net account receivable of $1,290 at December 31, 1985 (1984 – $13,590). Interest charges and credits are calculated at market rates.

(d) At December 31, 1985, short-term notes and certificates of deposit totalling $300,904 U.S. have been offset by a note payable to an associated company of a similar amount. The note payable bears interest at market rates, is payable on demand and may be extinguished entirely, at the Company's option, by the transfer of the short-term notes and certificates of deposit to the associated company.

**11. Business Segment Information**
Noranda operates in four industry segments: metals and minerals, oil and gas, manufacturing and forest products. Inter-segment sales and purchases are made at market prices and normal trade terms.

Operations and identifiable assets by geographic area and industry segment are presented below:

| (a) **Geographic areas** | 1985 | 1984 |
|---|---|---|
| **Revenue:** | | |
| Canada – domestic | $1,164,525 | $1,129,902 |
| – export | 860,063 | 845,159 |
| | 2,024,588 | 1,975,061 |
| U.S.A. | 1,437,477 | 1,425,017 |
| Total | $3,462,065 | $3,400,078 |
| Operating profit (loss): | | |
| Canada | $ 218,884 | $ 233,458 |
| U.S.A. | (64,646) | 7,431 |
| Total | $ 154,238 | $ 240,889 |
| Identifiable assets: | | |
| Canada | $4,146,997 | $4,490,783 |
| U.S.A. | 1,962,604 | 1,636,060 |
| | 6,109,601 | 6,126,843 |
| Cash and marketable investments | 131,058 | 179,489 |
| Total | $6,240,659 | $6,306,332 |

*(all $ in thousands except for per share information)*

(b) **Industry segments**

| | 1985 | 1984 |
|---|---|---|
| **Revenue:** | | |
| Metals and minerals | $1,022,106 | $1,014,392 |
| Oil and gas | 127,695 | 117,937 |
| Manufacturing | 1,546,939 | 1,566,818 |
| Forest products | 845,951 | 822,082 |
| | 3,542,691 | 3,521,229 |
| Inter-segment sales | (103,829) | (134,612) |
| Investment income | 23,203 | 13,461 |
| Total | $3,462,065 | $ 3,400,078 |
| **Segment operating profit:** | | |
| Metals and minerals | $ 46,475 | $ 74,701 |
| Oil and gas | 52,844 | 60,208 |
| Manufacturing | 5,856 | 37,423 |
| Forest products | 49,063 | 68,557 |
| Total segment operating profit | 154,238 | 240,889 |
| Income and production taxes recovery | 5,200 | 4,345 |
| Minority interest | 3,220 | (12,450) |
| Share of earnings (losses) in associates | 11,424 | (3,529) |
| Interest | (244,763) | (233,706) |
| Unusual items | (183,192) | |
| Loss | $ (253,873) | $ (4,451) |
| **Total assets employed:** | | |
| Metals and minerals | $2,304,828 | $2,162,484 |
| Oil and gas | 514,206 | 536,928 |
| Manufacturing | 1,556,730 | 1,719,229 |
| Forest products | 1,754,095 | 1,725,933 |
| Inter-segment receivables/payables | (20,258) | (17,731) |
| | 6,109,601 | 6,126,843 |
| Cash and marketable investments | 131,058 | 179,489 |
| Total | $6,240,659 | $6,306,332 |
| **Capital expenditures:** | | |
| Metals and minerals | $ 160,221 | $255,735 |
| Oil and gas | 80,567 | 89,813 |
| Manufacturing | 60,441 | 59,145 |
| Forest products | 80,125 | 108,677 |
| Total | $ 381,354 | $513,370 |
| **Depreciation and amortization:** | | |
| Metals and minerals | $ 105,654 | $109,588 |
| Oil and gas | 48,320 | 46,474 |
| Manufacturing | 65,157 | 62,254 |
| Forest products | 48,191 | 45,044 |
| Total | $ 267,322 | $ 263,360 |

**12. Unusual items**

(a) During the year the Company recorded the following unusual items:

| | |
|---|---|
| (i) Write-down of the carrying value of certain assets resulting in an after-tax charge | $(273,580) |
| (ii) Provision for loss on contracts for the purchase and sale of tin (note 12(b)) | (34,000) |
| | (307,580) |
| (iii) Sales of investments in associates resulting in after-tax gains: | |
| Craigmont Mines Limited | 562 |
| Placer Development Limited | 104,089 |
| Pamour Porcupine Mines, Limited | 19,737 |
| | 124,388 |
| Unusual items (net of income tax recovery of $9,616) | $(183,192) |

(b) In October 1985 the International Tin Council (ITC) stated that it could not honour its commitments to buy tin through the facilities of the London Metal Exchange (LME). On March 6, 1986 the LME announced a price to allow brokers to settle all outstanding contracts. At that price the Company's subsidiary, Rudolf Wolff & Co. (1985) Ltd., has provided for an estimated loss on its outstanding commitments from the ITC of $34,000.

**13. Reclassification of Comparative Figures**

Certain of the comparative balances have been reclassified to conform to the presentation adopted in the 1985 consolidated financial statements.

**14. Subsequent Events**

Subsequent to the year-end, as part of its program to reduce debt the Company has:

(a) Sold all of its shares of Tara Exploration and Development Company Limited at $19 per share for a total consideration of $61,000.

(b) Issued 12,500,000 of its common shares at $16.625 per share plus $41,000 of unused investment tax credits for a total net consideration of $242,000.

(c) Agreed to sell the financial services business of Rudolf Wolff Ltd. for its net asset value of approximately $60,000, $45,000 to be paid on March 31, 1986 and the balance by June 30, 1987.

## *NORANDA MINERALS INC.*

### *NORANDA COPPER*
*Canada*

| | |
|---|---|
| Babine Mining Division<br>Granisle, B.C. | *copper, gold* |
| CCR Division<br>Montréal East, Que. | *copper refinery* |
| Chadbourne Division<br>Noranda, Que. | *gold* |
| Goldstream Mining Division<br>Revelstoke, B.C. | *copper, zinc, silver* |
| Horne Division<br>Noranda, Que. | *copper smelter* |
| Les Mines Gallen Limitée (50%), Noranda, Que. | *zinc, silver* |
| Mines Gaspé Division<br>Murdochville, Que. | *copper smelter* |

*U.S.A.*

| | |
|---|---|
| Micro Metallics Corporation<br>San Jose, California | *processes electronic scrap* |
| Noranda Lakeshore Mines, Inc.<br>Casa Grande, Arizona | *copper* |

### *NORANDA ZINC*
*Canada*

| | |
|---|---|
| Brunswick Mining and Smelting Corporation Limited (64%)<br>Smelting & Fertilizer Division, Belledune, N.B.<br>Mining Division, Bathurst, N.B. | *lead smelter, diammonium phosphate, zinc, lead, copper, silver* |
| Canadian Electrolytic Zinc Limited (90%)<br>Valleyfield, Que. | *zinc refinery* |
| Heath Steele Mines Limited (75% Little River Joint Venture)<br>Newcastle, N.B. | *zinc, lead, copper, silver* |
| Matagami Division<br>Matagami, Que. | *zinc, copper, silver* |

### *MINING CORPORATION*
*Canada*

| | |
|---|---|
| Brenda Mines Ltd. (47%)<br>Peachland, B.C. | *molybdenum, copper* |
| Brenda Mines Ltd. (47%)<br>Oil and Gas Division,<br>Calgary, Alta. | *oil and gas* |
| Central Canada Potash<br>Colonsay, Sask. | *potash* |
| Geco Division<br>Manitouwadge, Ont. | *copper, zinc, silver* |
| Hemlo Division<br>Golden Giant Mine (46%)<br>Marathon, Ont. | *gold* |
| Lyon Lake Division<br>Ignace, Ont. | *zinc, copper, lead, silver* |
| Mattabi Mines Limited (60%)<br>Ignace, Ont. | *zinc, copper, silver* |
| Mining Corporation of Canada Limited<br>South Porcupine, Ont. | *mine development* |

*U.S.A.*

| | |
|---|---|
| Hopewell Land Corporation<br>Lithia, Florida | *phosphate* |
| Noranda Grey Eagle Mines Inc.<br>Happy Camp, CA | *gold and silver* |

### *MARKETING*
*Canada*

| | |
|---|---|
| Noranda Sales Corporation Ltd.<br>Toronto, Ont. | *resource* marketing |
| Nutrite Inc. (50%)<br>Montréal, Que. | *fertilizer marketing* |

*U.S.A.*

| | |
|---|---|
| Canadian American Metal Company (65%), New York, NY | *resource trading* |
| Norcoal Company, Inc.<br>Charleston, WV | *coal trading* |
| Noranda Sales, Inc.<br>Cleveland, Ohio | *resource marketing* |

*Other Countries*

| | |
|---|---|
| Noranda Sales Corporation of Canada Limited<br>London, England | *resource marketing* |
| Rudolf Wolff & Co. Ltd.<br>London, England | *commodity broking* |

### *FEDERATED GENCO LIMITED (40%)*

| | |
|---|---|
| Burlington, Ont.; Lachine, Que. | *metal alloyers* |

### *GRUPO INDUSTRIAL LAS CUEVAS, S.A. (49%)*
*Other Countries*

| | |
|---|---|
| Cia Minera Las Cuevas, S.A. de C.V.<br>San Luis Potosi, Mexico | *fluorspar* |
| Fluorex S.A. de C.V.<br>Juarez, Mexico | *hydrofluoric acid* |

### *KERR ADDISON MINES LIMITED (51%)*
*Canada*

| | |
|---|---|
| Kerr Addison Mines Limited<br>Virginiatown, Ont. | *gold* |
| Anderson Exploration Ltd. (33%)<br>Calgary, Alta. | *oil and gas* |
| Canadian Hunter Joint Venture (13%), Calgary, Alta. | *oil and gas* |
| Canadian Electrolytic Zinc Limited (10%)<br>Valleyfield, Que. | *zinc refinery* |

*U.S.A.*

| | |
|---|---|
| American Hunter Joint Venture (7%)<br>Denver, Colorado | *oil and gas* |

### *OIL and GAS*
*Canada*

| | |
|---|---|
| Canadian Hunter Exploration Ltd.<br>Calgary, Alta. | *oil and gas* |

*U.S.A.*

| | |
|---|---|
| American Hunter Exploration Ltd. (92%)<br>Denver, Colorado | *oil and gas* |

## *NORANDA FOREST INC.*

### *FRASER INC.*
*Canada*

| | |
|---|---|
| *FRASER INC.*<br>Edmundston, N.B.<br>Atholville, Kedgwick, Edmundston, Plaster Rock, N.B.; Thorold, Ont. | *boxboard, lumber, pulp, paper* |
| Island Paper Mills Limited<br>New Westminster, B.C. (50%) | *fine paper* |
| Atlantic Waferboard Inc.<br>Chatham, N.B. (50%) | *waferboard* |
| *U.S.A.* | |
| Fraser Paper Limited<br>Madawaska, Maine | *paper* |
| J. Paul Levesque & Sons, Inc.<br>Ashland, Maine (50%) | *lumber* |

### *JAMES MACLAREN INDUSTRIES INC.*
*Canada*

| | |
|---|---|
| *JAMES MACLAREN INDUSTRIES INC.*<br>Masson, Que.<br>Masson, Thurso, High Falls, Lac-des-Iles, Que. | *newsprint, pulp, lumber, particle-board, hydro power* |
| Maniwaki Forest Products Inc. (90%)<br>Maniwaki, Que. | *lumber, veneer, flooring* |
| Normick Perron Inc. (32%)<br>LaSarre, Québec<br>LaSarre, Beattyville, Amos, Senneterre, Que.; Kirkland Lake, Cochrane, Ont. | *lumber, plywood, waferboard, newsprint* |

### *MACMILLAN BLOEDEL LIMITED*
*Canada*

| | |
|---|---|
| *MACMILLAN BLOEDEL LIMITED*<br>Vancouver, B.C. (49%)<br>Powell River, Port Alberni, Nanaimo, Chemainus, Vancouver, New Westminster, B.C.; Hudson Bay, Sask.; Nipigon, Thunder Bay, Sturgeon Falls, Ont.<br>(21 sales & distribution centres) | *lumber, plywood, waferboard, particle-board, pulp, paper, newsprint, hardboard, siding* |
| Island Paper Mills Limited<br>New Westminster, B.C. (50%) | *fine paper* |
| MacMillan Bathurst Inc.<br>Mississauga, Ont. (50%)<br>(18 plants) | *corrugated containers* |
| *U.S.A.* | |
| MacMillan Bloedel Containers<br>Atlanta, Georgia<br>Elmira, NY; Jersey City, Union, NJ; Odenton, MD; Cleveland, OH; Rock Island, Chicago, IL; Little Rock, AR; Magnolia, MS; Houston, TX; Nashville, TN<br>(9 sales & distribution centres) | *corrugated containers* |
| MacMillan Bloedel Inc.<br>Pine Hill, Alabama | *container-board, linerboard, plywood, lumber* |
| MacMillan Bloedel Limited<br>Edenton, NC | *panelling, wood products, lumber* |
| *Other Countries* | |
| MacMillan Smurfit SCA Limited (50%)<br>U.K. (13 plants) | *corrugated containers* |
| Koninklijke Nederlandse Papierfabrieken N.V. (40%)<br>Holland and Belgium | *paper, packaging* |
| Embrasca-Empreendimentos Florestais e Agricolas Ltda.<br>Brazil | *lumber* |

### *NORTHWOOD PULP & TIMBER LIMITED*
*Canada*

| | |
|---|---|
| *NORTHWOOD PULP AND TIMBER LIMITED* (50%)<br>Prince George, B.C.<br>Prince George, Houston, Shelley, Upper Fraser, B.C. | *lumber, pulp, plywood* |
| B.C. Chemicals Ltd.<br>Prince George, B.C. (50%) | *chlorate and tall oil* |
| *U.S.A.* | |
| Northwood Panelboard Company<br>Solway, MN | *waferboard* |

### *NORANDA FOREST SALES INC.*
*Canada*

| | |
|---|---|
| *NORANDA FOREST SALES INC.*<br>Toronto, Ont. | *forest products marketers* |
| Northwood Building Materials<br>Toronto, Ont.<br>Brampton, Ont.; Langley, B.C.; Edmonton, Calgary, Alta.; Winnipeg, Man.; Boucherville, St. Augustin, Que.; Windsor Junction, N.S. | *lumber, panelling, flooring, ceiling tiles* |
| *Other Countries* | |
| Noranda Forest Sales (U.K.) Limited<br>Cardiff, Wales | *forest products marketers* |
| R.A. Naylor Limited<br>Warrington, England | *forest products marketers* |

## *NORANDA MANUFACTURING INC.*

### *TORONTO GROUP*

*Canada*

| | |
|---|---|
| Canada Wire and Cable Limited<br>Toronto, Ontario<br>Toronto, Fergus, Simcoe, Orangeville, Ont.; Montréal, Québec City, Que.; Winnipeg, Man.; Weyburn, Sask.<br>(18 sales & distribution centres) | *copper rod, wire and cable* |

*U.S.A.*

| | |
|---|---|
| Carol Cable Company, Inc.<br>Pawtucket, Rhode Island<br>Warren, Lincoln, Central Falls, Pawtucket, RI; Manchester, NH; New Bedford, Taunton, Williamstown, MA;<br>River Grove, IL; Rancho Dominguez, CA | *electrical wire and cable products* |
| Miller Electric Company<br>Woonsocket, Rhode Island | *custom electrical cord sets* |
| Canada Wire and Cable, Inc.<br>Los Angeles, CA | *wire and cable distribution* |

*Other Countries*

| | |
|---|---|
| Canada Wire and Cable (International) Limited associates:<br>– Alambres Dominicanos, Dominican Republic<br>– Fadaltec, Colombia<br>– Iconel, Venezuela<br>– Industrias AXA, S.A., Mexico<br>– Irish Cable and Wire, Republic of Ireland | *copper wire, cable and other products* |

### *MONTREAL GROUP*

*Canada*

| | |
|---|---|
| Wire Rope Industries Ltd.<br>Pointe Claire, Québec (80%)<br>Pointe Claire, Que.;<br>Dartmouth, N.S.;<br>Surrey, B.C.<br>(17 sales & distribution centres) | *steel wire ropes, strands and slings, fishing nets, trawl warps, industrial cordage* |
| Noranda Metal Industries Limited, Montréal East, Québec<br>Montréal East, Que.;<br>Fergus, Ont., Vancouver, B.C. | *copper and alloys, strip rod and tube, secondary metals* |
| Norcast Inc.<br>Toronto, Ontario<br>(60%)<br>Mont Joli, Que.;<br>New Liskeard, Ont. | *castings, liners, grinding media, conveyances for the mining industry* |
| Nor-Sand Metals Inc. (50%)<br>Arnprior, Ont. | *high nickel and stainless steel tube* |

*U.S.A.*

| | |
|---|---|
| Wire Rope Industries Inc.<br>Seattle, Washington | *fishing nets, trawl warps, industrial cordage* |
| Noranda Metal Industries Inc.<br>Newtown, CT | *heat transfer tube and components* |

### *CLEVELAND GROUP*

*U.S.A.*

| | |
|---|---|
| Noranda Aluminum, Inc.<br>Cleveland, Ohio<br>New Madrid, MO | *aluminum reduction plant* |
| Norandal USA, Inc.<br>Cleveland, Ohio<br>Huntingdon, TN;<br>Scottsboro, AL | *aluminum sheet and foil* |
| Norandex Inc.<br>Cleveland, Ohio<br>Cleveland, Ohio;<br>Chicago, IL<br>(58 sales & distribution centres) | *aluminum building products* |

## *DIRECTORS*
(Year of election in brackets)

J.W. Bird, (1983)
*Chairman, J.W. Bird and Company Limited, General Manager, Bird Holdings Ltd., Fredericton*

* Jack L. Cockwell, (1981)
*Executive Vice-President, Brascan Limited, Toronto*

James C. Dudley, (1970)
*Managing Partner, Dudley & Company New York*

* J. Trevor Eyton, Q.C., O.C., (1981)
*President and Chief Executive Officer, Brascan Limited, Toronto*

Brian Flemming, Q.C., (1981)
*Partner in the legal firm of Stewart MacKeen & Covert, Halifax*

Denis S. Giroux, (1985)
*Vice-President, Corporate Investments, Caisse de dépot et placement du Québec, Montréal*

* Pierre Lamy, (1981)
*Economic and Financial Consultant, Montréal*

Paul M. Marshall, (1981)
*President and Chief Executive Officer, Westmin Resources Limited, Calgary*

David E. Mitchell, O.C., (1973)
*President and Chief Executive Officer, Alberta Energy Company Ltd., Calgary*

* André Monast, Q.C., (1966)
*Partner in the legal firm of Stein, Monast, Pratte & Marseille, Québec*

Donald S. McGiverin, (1980)
*Governor, Chairman and Director, Hudson's Bay Company, Toronto*

* W. Darcy McKeough, (1979)
*Chairman, Union Gas Limited, Chatham*

Fernand Paré, (1981)
*President and General Manager, La Solidarité, Compagnie d'assurance sur la vie, Québec*

* Alfred Powis, O.C., (1964)
*Chairman and Chief Executive Officer, Noranda Inc., Toronto*

Antoine Turmel, O.C., (1981)
*President, Turan Investments Inc., Montréal*

H. Richard Whittall, (1982)
*Vice-Chairman and Director, Richardson Greenshields of Canada Limited, Vancouver*

* William P. Wilder, (1966)
*Chairman, The Consumers' Gas Company Ltd., Toronto*

Harold M. Wright, O.C., (1981)
*Chairman, Wright Engineers, Vancouver*

* Adam H. Zimmerman, F.C.A., (1974)
*President and Chief Operating Officer, Noranda Inc. and Vice-Chairman, Fraser Inc., Toronto*

* Member of the Executive Committee

Honorary Directors

| | |
|---|---|
| A.O. Dufresne | L.G. Lumbers |
| L. Hébert | T.H. McClelland |
| W. James | J.D. Simpson |
| A.J. Little | |

## *OFFICERS*

Alfred Powis,
*Chairman and Chief Executive Officer*

Adam H. Zimmerman,
*President and Chief Operating Officer*

E.K. Cork,
*Senior Vice-President – Treasurer*

D.H. Ford,
*Senior Vice-President – Comptroller*

K.C. Hendrick,
*Senior Vice-President – Minerals*

J.O. Hinds,
*Senior Vice-President – Exploration & Development*

R.T. Kenny,
*Senior Vice-President – Forest*

R.P. Riggin,
*Senior Vice-President – Corporate Relations*

W.J. Barbour,
*Vice-President – Investments*

B.C. Bone,
*Vice-President & Associate Treasurer*

G.H. Corlett,
*Vice-President – Business Services*

F. Frantisak,
*Vice-President – Environmental Services*

J.W. Ivany,
*Vice-President and General Counsel*

F.X. Koch,
*Vice-President – Engineering & Construction*

G.M. Penna,
*Vice-President – Taxation*

W.E. Stubbington,
*Vice-President – Accounting Services*

H.V. Thomson,
*Vice-President – Corporate Relations*

B.H. Grose,
*Secretary*

L.J. Taylor,
*Assistant Secretary*

T.E. Phelps,
*Assistant Treasurer*

L.S. Tigert,
*Assistant Treasurer*

## *CHIEF OFFICERS OF SUBSIDIARIES AND MAJOR ASSOCIATES*

A.G. Balogh,
*President, Noranda Copper*

I.D. Bayer,
*President, Kerr Addison Mines Limited*

W.G. Deeks,
*President, Noranda Sales Corporation Ltd.*

J.M. Gordon,
*President, Mining Corporation*

K. Grotterod,
*Chairman, Fraser Inc.*

C.W. Halstead,
*President, Noranda Aluminum, Inc.*

R.L. Henry,
*President, Noranda Metal Industries Limited*

B.W. Little,
*President and Chief Executive Officer, James Maclaren Industries Inc.*

Honourable E.C. Lumley,
*Chairman, Noranda Manufacturing Inc.*

J.A. Masters,
*President, Canadian Hunter Exploration Ltd.*

B.T. Ness,
*President, Canada Wire and Cable Limited*

H.G. Sander,
*President, Northwood Pulp and Timber Limited*

R.V. Smith,
*President and Chief Executive Officer, MacMillan Bloedel Limited*

J.C. White,
*President, Noranda Zinc*

## *TEN YEAR FINANCIAL REVIEW**

($ in millions)

| *EARNINGS* | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | **1985** |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,234.8 | 1,395.8 | 1,691.1 | 2,484.7 | 2,889.3 | 3,030.4 | 2,830.2 | 3,106.2 | 3,400.1 | **3,462.1** |
| Expense—excluding interest | 1,114.0 | 1,247.8 | 1,420.0 | 1,786.4 | 2,279.9 | 2,751.9 | 2,800.1 | 2,922.2 | 3,159.2 | **3,307.8** |
| Interest | 61.7 | 71.9 | 64.8 | 65.3 | 48.4 | 95.4 | 145.5 | 168.5 | 233.7 | **244.8** |
| Income and production taxes (recovery) | 26.6 | 23.6 | 93.1 | 230.2 | 246.7 | 62.1 | (60.2) | (7.2) | (4.3) | **(5.2)** |
| Minority interest in earnings (losses) of subsidiaries | 10.1 | 12.6 | 24.8 | 57.2 | 28.9 | 9.1 | 6.5 | 9.7 | 12.5 | **(3.2)** |
| Share of earnings (losses) in associates | 26.9 | 33.5 | 49.3 | 70.1 | 83.1 | (1.5) | (74.7) | (8.7) | (3.5) | **11.4** |
| Earnings (loss) before unusual items | 49.3 | 73.4 | 137.7 | 415.7 | 368.5 | 110.4 | (136.4) | 4.3 | (4.5) | **(70.7)** |
| Unusual items | | | .9 | (15.7) | 47.2 | 59.0 | 57.2 | (29.0) | | **(183.2)** |
| Earnings (loss) after unusual items | 49.3 | 73.4 | 138.6 | 400.0 | 415.7 | 169.4 | (79.2) | (24.7) | (4.5) | **(253.9)** |
| *FINANCIAL POSITION* | | | | | | | | | | |
| Capital employed | | | | | | | | | | |
| Working capital | 197.5 | 167.3 | 281.6 | 687.4 | 821.5 | 867.0 | 1,041.7 | 951.9 | 740.1 | **675.2** |
| Investments and advances | 361.9 | 387.8 | 410.0 | 406.1 | 529.4 | 1,159.3 | 1,097.3 | 1,219.7 | 1,263.9 | **1,142.3** |
| Fixed assets—net | 866.7 | 911.7 | 979.6 | 1,265.5 | 1,578.2 | 2,085.7 | 2,556.0 | 2,718.7 | 2,944.9 | **2,869.6** |
| Other assets | 118.5 | 115.8 | 123.3 | 189.3 | 262.5 | 316.0 | 302.9 | 254.3 | 313.6 | **291.2** |
| | 1,544.6 | 1,582.6 | 1,794.5 | 2,548.3 | 3,191.6 | 4,428.0 | 4,997.9 | 5,144.6 | 5,262.5 | **4,978.3** |
| Capital sources | | | | | | | | | | |
| Shareholders' equity | 722.5 | 767.5 | 897.6 | 1,481.9 | 2,027.0 | 2,900.0 | 2,740.2 | 2,644.0 | 2,603.6 | **2,358.9** |
| Long-term debt | 603.4 | 588.9 | 604.1 | 602.5 | 580.5 | 922.3 | 1,722.9 | 2,061.8 | 2,287.2 | **2,251.4** |
| Minority interest in subsidiaries | 120.3 | 128.2 | 150.9 | 194.0 | 199.0 | 210.2 | 147.3 | 151.7 | 146.0 | **94.9** |
| Other | 98.4 | 98.0 | 141.9 | 269.9 | 385.1 | 395.5 | 387.5 | 287.1 | 225.7 | **273.1** |
| | 1,544.6 | 1,582.6 | 1,794.5 | 2,548.3 | 3,191.6 | 4,428.0 | 4,997.9 | 5,144.6 | 5,262.5 | **4,978.3** |
| *CHANGES IN FINANCIAL POSITION* | | | | | | | | | | |
| Operations | 105.2 | 90.6 | 211.4 | 271.1 | 812.5 | 295.5 | (12.0) | 277.8 | 342.3 | **126.3** |
| Investment Activities: | | | | | | | | | | |
| Fixed asset additions | (120.4) | (123.7) | (124.0) | (295.3) | (308.2) | (614.1) | (677.8) | (396.6) | (433.1) | **(315.9)** |
| Deferred expenditures | (34.1) | (21.7) | (9.1) | (34.6) | (87.8) | (83.7) | (42.9) | (39.9) | (80.3) | **(65.4)** |
| Investments, advances and other, net | 31.9 | 7.9 | 28.4 | 12.5 | (13.8) | (732.6) | 76.9 | (64.6) | (1.5) | **307.2** |
| | (122.6) | (137.5) | (104.7) | (317.4) | (409.8) | (1,430.4) | (643.8) | (501.1) | (514.9) | **(74.1)** |
| Financing activities: | | | | | | | | | | |
| Long-term debt (repaid) incurred | 89.2 | (14.5) | (19.0) | (19.2) | (62.5) | 196.8 | 800.1 | 304.1 | 182.4 | **(65.8)** |
| Issue of shares | .3 | | 4.3 | 139.0 | 12.7 | 1,001.5 | 17.1 | 3.8 | 18.2 | **67.9** |
| Dividends paid | (33.5) | (34.2) | (38.0) | (102.5) | (164.8) | (189.7) | (132.1) | (104.3) | (109.4) | **(107.9)** |
| | 56.0 | (48.7) | (52.7) | 17.3 | (214.6) | 1,008.6 | 685.1 | 203.6 | 91.2 | **(105.8)** |
| Exchange rate changes | | | | | | | | (5.6) | (8.4) | **(2.2)** |
| Net bank advances increase (decrease) | 38.6 | (95.6) | 54.0 | (29.0) | 188.1 | (126.3) | 29.3 | (25.3) | (89.8) | **(55.8)** |

Net bank advances comprise bank advances less cash, short-term notes and marketable investments.

| *COMMON SHARES DATA*** | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | **1985** |
|---|---|---|---|---|---|---|---|---|---|---|
| Per share—$ | | | | | | | | | | |
| Earnings (loss) after unusual items | 0.70 | 1.04 | 1.97 | 4.77 | 4.13 | 1.37 | (0.97) | (0.50) | (0.32) | **(2.38)** |
| Dividends | 0.40 | 0.40 | 0.43 | 0.85 | 1.25 | 1.40 | 0.75 | 0.50 | 0.50 | **0.50** |
| Market price range—$ | | | | | | | | | | |
| High | 13.25 | 11.46 | 13.00 | 22.83 | 33.63 | 36.38 | 27.88 | 29.38 | 27.50 | **21.38** |
| Low | 8.79 | 6.54 | 6.88 | 12.13 | 22.13 | 19.38 | 11.38 | 18.88 | 16.50 | **13.38** |
| Close | 9.67 | 8.33 | 12.25 | 22.37 | 30.00 | 22.50 | 19.50 | 26.50 | 17.25 | **15.63** |
| Common shares issued (000) | 73,392 | 73,394 | 75,548 | 101,536 | 113,274 | 126,170 | 127,314 | 127,488 | 128,379 | **129,259** |
| Preferred shares issued (000) | — | — | — | — | — | 3,583 | 3,583 | 3,583 | 3,583 | **5,595** |

*1976-1983 restated to reflect the Company's change in method of accounting for exploration and development costs of its oil and gas operations.

**1976-1978 restated to reflect 3 for 1 split in August, 1979.

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